

FRANCHISE DISCLOSURE DOCUMENT



Starbird Franchising LLC
(a Delaware limited liability company)
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A “Starbird” franchisee will operate a brick-and-mortar restaurant and kitchen specializing in the retail sale of chicken served as tenders, salads, sandwiches, tacos, and wings, as well as beverages, distinctive branding, and other products that we may periodically specify or approve for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers for on-premises and carry-out consumption, as well as through delivery services.

The total investment necessary to begin operation of a “Starbird” franchised business ranges from \$842,574 to \$2,026,903. This includes \$40,000 that must be paid to the franchisor or an affiliate. If you wish to sign a development agreement, then the total investment needed to begin operation would be multiplied by the number of units that you agree to open, after applying a discounted initial franchise fee. (For example, for a 5-unit development agreement, the total investment would be \$4,167,870 to \$10,022,875, which includes \$155,000 to \$160,000 that must be paid to the franchisor or an affiliate.) You must develop at least two “Starbird” franchised business under a development agreement (there is no maximum).

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 Brian Carmichall at Starbird Franchising LLC, 75 Oak Grove Street, San Francisco, CA 94107 (tel: 415.728.9008).

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

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

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

The issuance date of this Franchise Disclosure Document is April 11, 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 H.
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 and Exhibit G include 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 "Starbird" business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a "Starbird" franchisee?	Item 20 or Exhibit H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and litigation in California. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in California than in your own state.

Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

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

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

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B	Development Agreement with Exhibits	H	State-Specific Addenda
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Item 1 **The Franchisor and any Parents, Predecessors, and Affiliates**

The Franchisor

The Franchisor is Starbird Franchising LLC. In this disclosure document ("**FDD**"), we refer to "Starbird Franchising LLC" as "**we**", "**us**", "**our**" or "**SFLLC**". We were formed as a Delaware limited liability company on October 7, 2021. We conduct business under our corporate name and the name and mark "Starbird." We do not do business under any other name. Our principal place of business is 75 Oak Grove Street, San Francisco, California 94107. Our agents for service of process are listed on Exhibit D to this Franchise Disclosure Document.

We do not engage in business activities other than franchising "Starbird" businesses. We do not operate any Starbird Restaurants. We began offering "Starbird" franchises in May 2022. We have never offered franchises in any other lines of business.

Our Parents, Predecessors, and Affiliates

We have no parents, predecessors, or affiliates that are required to be disclosed in this Item, except for:

Affiliate	Role
Chicken Coup LLC, a Delaware limited liability company formed on July 31, 2014	Chicken Coup LLC is our parent entity and also owns the registrations for our Proprietary Marks. Chicken Coup LLC also owns the company-owned "Starbird" restaurants.
TCE Holdings LLC ("Holdings"), a California limited liability company formed on March 9, 2010	Holdings is the investment and incubation group that created the "Starbird" concept. Holdings also is the holding company for the building in which we operate.

In January 2019, our parent entity, Chicken Coup LLC, entered into a license agreement with a licensee to operate a non-traditional Starbird restaurant in Terminal 1 at the San Francisco International Airport, located in San Francisco, California, which is similar in many respects to the type of business we now franchise. As of the date of this disclosure document, this licensee is operating a Starbird restaurant in Terminal 1 at the San Francisco International Airport. See Exhibit I. Chicken Coup LLC no longer offers license agreements or grants any rights to licensees to operate Starbird restaurants. The license agreement was assigned to us effective August 2023 and we assumed and agreed to perform all obligations owed to the licensee under the license agreement. Except as described above, none of our parents, predecessors, or affiliates have ever offered franchises in any line of business.

Chicken Coup LLC's principal place of business is 75 Oak Grove Street, San Francisco, California 94107.

The Franchise Offered

We offer franchises for the establishment and operation of "Starbird" brick-and-mortar restaurant businesses that feature, among other things, a specialty menu of chicken served as tenders,

salads, sandwiches, tacos, and wings, as well as beverages, distinctive branding, and other products that we periodically specify or approve for on-premises and carry-out consumption, as well as delivery and catering ("**Restaurants**"). Restaurants will operate under our Proprietary Marks and also, in many instances, our Virtual Brands (as described below). The products that we approve for sale in our Restaurants are referred to in this disclosure document as the "**Products**"). The services associated with offering Products to consumers are referred to as the "**Services**".

Restaurants are characterized by our system (the "**System**"). Some of the features of our System may include our distinctive products; signage; distinctive interior and exterior design, and accessories; kitchen facilities and arrangements; operational procedures; standards and specifications; quality of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs. We may periodically change portions of the System.

You* must operate your Restaurant in accordance with our standards and procedures, as set out in our confidential brand standards manual (the "**Brand Manual**"). We will make the Brand Manual available digitally for your use solely in connection with operating the Restaurant and only for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark "Starbird" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**").

We have developed (and may continue to develop in the future) other brands that we may also permit you to use to offer products to customers (currently including virtual brands such as "Starbird Wings", "Starbird Salads", "Starbird Bowls", and "Gardenbird") ("**Virtual Brands**") using a variety of platforms, including in-person service, take-away service, Catering, or Delivery (those terms defined in Item 12 below).

Restaurants will be operated from an indoor structure that need not be free-standing, in a target range of 2,000 to 2,985 square feet in size and are decorated to meet our specifications (including the use of our trade dress, trademark, and design).

We offer to enter into franchise agreements ("**Franchise Agreements**") with qualified entities and persons that wish to establish and operate Restaurants. We award franchises in our discretion, and to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee's financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A.

We may also offer area development agreements ("**Development Agreements**") to qualified parties ("**Developers**"). Our current form of Development Agreement is attached to this Disclosure Document as Exhibit B. If you sign a Development Agreement, we will grant you the right, and

* In this disclosure document, "**you**" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of an entity (such as a corporation, partnership, limited liability company, or limited liability partnership) that signs a Franchise Agreement as the "franchisee."

you will accept the responsibility, to establish an agreed-upon number of Restaurants within an agreed-upon designated area (the "**Development Area**"), under an agreed-upon timetable (the "**Development Schedule**"). Each Restaurant will be constructed and operated under a separate Franchise Agreement. The Franchise Agreement for the first Restaurant developed under the Development Agreement will be in the form attached to the Development Agreement. The Franchise Agreement for each additional Restaurant developed will be in the form of the Franchise Agreement that we generally offer to new franchisees at that time (which may contain materially different terms than the form of Franchise Agreement attached to this disclosure document). You must develop at least two Restaurants under a Development Agreement (there is no maximum).

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your Restaurant operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant.

You also must follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer payment card transactions. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a Restaurant. We recommend that you consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains, that offer specialty chicken menu items, and other items that may compete with the products offered at a Restaurant. The market for these items is well-established and very highly competitive. These businesses vigorously compete on the basis of factors such as price, service, location, and product quality. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns.

Item 2**Business Experience**

Chief Executive Officer Aaron Noveshen

Mr. Noveshen has been our Chief Executive Officer since we formed in October 2021 and has served in the same role for our parent since July 2016. He has also served as the Founder and Chairman of The Culinary Edge, Inc. in San Francisco, California since July 2002.

Vice President of Development Brian Carmichall

Mr. Carmichall has been our Vice President, Development since June 2024. From June 2019 to June 2024, Mr. Carmichall was Senior Vice President, Development & Chief Development Officer of El Pollo Loco, Inc. in Costa Mesa, California.

Vice President of Operations Nicholas R. Falco

Mr. Falco has been our Vice President of Operations since we formed in October 2021 and has served in the same role for our parent since September 2018. Mr. Falco was also an Operating Partner for our parent from September 2018 to September 2021.

Director of Training and Development Kathleen McMurray

Ms. McMurray has been our Director of Training and Development since November 2023. From June 2023 to October 2023, Ms. McMurray was a consultant for the McMurray Group in San Francisco, California. From June 2018 to May 2023, Ms. McMurray was the Director of Digital Channels for MG Restaurants, Inc. in San Francisco, California.

Director of Marketing Casey Hilder

Mr. Hilder has been Director of Marketing for our parent since May 2021. From May 2018 to May 2021, Mr. Hilder was the Marketing Manager for our parent.

Culinary Operations and Purchasing Manager Julie Hargis

Ms. Hargis joined our parent in June 2021 as our Culinary Operations and Purchasing Manager. She served as Director of Culinary Information for BJ's Brewhouse & Restaurants in Huntington Beach, California from August 2016 thru July 2020 and as a corporate chef for Outback Steakhouse and Bloomin' Brands in Tampa from January 2014 through August 2016.

Director of Technology Anthony Lawrence

Mr. Lawrence has been our Director of Technology since May 2023. From August 2022 to May 2023, Mr. Lawrence was the Director of Information Technology for Wareham Development in San Rafael, California. From January 2021 to August 2022, Mr. Lawrence was the Director of Technology at Tides in San Francisco, California. From March 2018 to January 2021, Mr. Lawrence was the Vice President of Technology for Specialty's Café and Bakery/C3, LLC in Pleasanton, California and in Beverly Hills, California.

Director of Construction Brenda Brunton

Ms. Brunton has been our Director of Construction since January 2025. From July 2022 to September 2024, Ms. Brunton was the Director of Development for Far West Restaurant Group in Costa Mesa, California. From September 2024 to January 2025, Ms. Brunton was unemployed. From January 2022 to July 2022, Ms. Brunton was the Construction Manager for Everytable in

Los Angeles, California. From July 2017 to January 2022, Ms. Brunton was the Construction Manager for Inspire Brands in Mission Viejo, California.

Item 3**Litigation**

There is no litigation which is required to be disclosed in this Item.

Item 4**Bankruptcy**

There is no bankruptcy is required to be disclosed in this Item.

Item 5**Initial Fees**Initial Franchise Fee

The initial franchise fee is \$40,000 and will be due when you sign the Franchise Agreement. The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, and is non-refundable. The initial franchise fee is uniform for new franchisees.

If you sign a Development Agreement, then we will discount the initial franchise fee due for the franchises that you must open under the Development Agreement, as follows:

Initial Franchise Fee	Explanation
\$40,000	Applies to the Franchise Agreement for the 1st franchise that is required under the Development Agreement
\$30,000	Applies to the 2nd franchised Restaurant and all additional franchises that are required under the Development Agreement

We also offer a \$5,000 discount from the initial franchise fee to active duty U.S. military personnel, veterans with an Honorable Discharge from the U.S. military. The discount applies to the first Restaurant only.

Development Fee

If you sign the Development Agreement, you must pay us a development fee in an amount equal to the total of \$40,000 for the first Restaurant that you will develop plus \$15,000 for each additional Restaurant that you agree to open according to the Development Schedule. The amount of the development fee will vary based on the number of Restaurants you choose to develop under the Development Agreement. The development fee must be paid in lump sum and is non-refundable.

If you sign a Development Agreement, then we will discount the initial franchise fee for the Restaurants that you develop under that agreement, as explained above.

If you are in compliance with your obligations under the Development Agreement, then when you enter into the Franchise Agreements with us for the Restaurants required under the Development

Agreement, then we will credit to you the following amounts from the development fee that you paid to us (up to a maximum of the total development fee that you paid to us):

Credit toward the initial franchise fee for the first Restaurant
required under the Development Agreement\$40,000

Credit toward the initial franchise fee for each additional Restaurant
required under the Development Agreement\$15,000

You must develop at least two Restaurants under a Development Agreement (there is no maximum).

Item 6

Other Fees

Type of Fee	Amount	Due Date	Remarks
Royalty (Note 1)	5% of Net Sales (Note 2)	Each Week, by Tuesday	
Marketing Contribution (Notes 1 and 3)	3% of Net Sales	Each Week, by Tuesday	Currently allocated as 0.5% to the Brand Development Fund, 1.5% to the National Digital Media Fund, and 1.0% that you will spend on local store marketing, as further explained in Item 11. We have the right to change this allocation upon notice.
Regional Fund Advertising (Note 3)	Amount established by us, but not to exceed 3% of Net Sales	Established by us	We currently do not have local or regional cooperatives, but reserve the right to require them to be established in the future. Item 11 contains more information about cooperative advertising.
Supplier/Vendor or Supplies Approval (Note 4)	Actual cost of inspection of supplier's facilities or test of supplier's samples, plus our actual related costs and expenses	Upon demand	Only due if you propose a new supplier or vendors (or particular suppliers) that we have not previously approved
Product and Equipment Purchases	Actual costs	Upon delivery or as agreed	We charge you for products and equipment you purchase from or through us.
Inspection or Audit (Note 5)	Actual cost of inspection or audit	Upon demand	Only due if inspection or audit discloses that

Type of Fee	Amount	Due Date	Remarks
	plus our actual related costs and expenses		information provided to us was materially inaccurate or misleading
Interest	Interest is 1.5% per month on missed, overdue, or insufficient payments.	Upon demand.	Only due if you do not make proper payment on time. Interest begins to accrue when payment was initially due. If a maximum interest rate applies under your state's law, then interest will not exceed that maximum rate.
Renewal Fee	Greater of \$20,000 or 50% of our then-current initial franchise fee	Due upon execution of Renewal Agreement	Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee.
Transfer Fee	Greater of \$20,000 or 50% of our then-current initial franchise fee, plus any applicable broker fees	At the time of transfer	Only due if you propose a transfer. For a transfer upon disability or death of the franchisee's principal, we will not charge a transfer fee (but ask instead to be reimbursed for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting the transaction).
Securities Offering Fee	\$5,000, or our actual costs and expenses, if more. If our actual costs and expenses are lower than \$5,000, you will only be required to pay the actual amount of our costs and expenses.	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).
Relocation Fee	\$5,000 plus our actual costs and expenses	At the time of relocation	Only due if you propose to relocate your franchise.

Type of Fee	Amount	Due Date	Remarks
Additional Training	Our then current daily training fee (presently, \$1,000 per trainee, per full or partial week)	Upon demand	Only due if you ask to send more than the required number of people to be trained or if you have four or more replacements for your Operating Partner or General Manager that leave your employ, in which case you must enroll her/his replacement in our training program. If so, we may require you to pay this discounted per person training fee. We may also charge you \$1,000 per day per trainer (plus expenses) if you request additional training or if we deem it necessary to conduct additional training.
Cost of Enforcement or Defense (Note 6)	Actual costs	Upon demand	See Note 6
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required business insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification	All actual costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is invoked. You must defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Restaurant, including related securities offerings.
Technology Fee (Note 7)	Currently, \$281. See Note 7	Payable in the same manner and time as Royalty	We have the right to increase the Technology Fee in the future.
Additional Tech Vendor Fees	Actual costs	As incurred	Fees by tech vendors that provide products or services to you beyond those covered

Type of Fee	Amount	Due Date	Remarks
			by the Technology Fee must be paid directly to those vendors in the ordinary course of business.
Refurbishment of Restaurant	No more than 25% of the then-current maximum build-out cost for a new Restaurant (See Item 7 of our then-current Disclosure Document)	As incurred	You will be required to refurbish your Restaurant, at your sole cost, as we may reasonably require, which will not be more than once every 3 years. You will be required to pay all costs you incur to comply with our refurbishment requirements.
Major Remodeling of Restaurant	No more than 50% of the then-current maximum build-out cost for a new Restaurant (See Item 7 of our then-current Disclosure Document)	As incurred	You will be required to remodel your Restaurant, at your sole cost, every seven years to conform with the current image of Starbird Restaurants; provided, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal. You will be required to pay all costs you incur to comply with our remodel requirements.
Management Fee	Actual costs	As incurred	Upon the death or incapacitation of your Operating Partner, we have the right, but not the obligation, to take over operation of the Franchised Business until a transfer is completed.

Notes to Item 6 table:

1. **Fees.** The fees listed in the Item 6 tables are payable only to us or our affiliates (except for the Additional Tech Vendor Fees, which may be paid to a vendor). All fees due to us or our affiliates (such as royalty fees, advertising contributions, amounts due for your purchases from us or our affiliates, and other amounts due under the Franchise Agreement) must be paid through electronic funds transfer (using the ACH network). We may debit this account to collect these amounts. You must keep a sufficient balance in the account from which the ACH deductions are made to pay all of the fees due under the Franchise Agreement. We have the right to change payment method requirements. All of the fees payable to us or

our affiliates are uniformly imposed, however, we may waive collection of some or all of these fees in certain circumstances. None of the fees payable to us or our affiliates are refundable.

We will have the right to make inflation adjustments to the fixed-dollar amounts under the Franchise Agreement (but not the Initial Franchise Fee) if there are changes in the Index from the year in which you signed the Franchise Agreement. "**Index**" means the Consumer Price Index published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

2. **Net Sales.** As used in the Franchise Agreement, "**Net Sales**" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit, but excluding: (a) sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities; (b) refunds, discounts, and accommodations reasonably provided to your customers; and (c) meals provided to your staff.
3. **Marketing Contribution.** You must contribute and spend the amounts we specify in the Franchise Agreement for the "**Marketing Contribution**." We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: (a) our System-wide marketing and promotional fund (the "**Brand Development Fund**"); (b) our National Digital Media Fund (described in Item 11 below); and (b) to be spent by you on local store marketing and/or contributions to a Regional Fund. We have the right to periodically make changes to the allocation of the Marketing Contribution or increase the Marketing Contribution to up to 3% of Net Sales upon notice to you. We reserve the right to establish local or regional advertising cooperatives (the "**Regional Fund**"). If one or more Regional Funds are established, contribution amounts to the Regional Fund will be established by us, not to exceed to 3% of Net Sales. We anticipate that each Starbird Restaurant franchisee and each Starbird Restaurant that we or our affiliates own will have one vote for each Starbird Restaurant operated by the member in the Regional Fund area. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document.
4. **Supplier/Vendor, Supplies Approval.** If you wish to sell or use any product that we have not already approved, or buy products from a vendor that we have not already approved, you must follow the procedure under the Franchise Agreement. Among other things, that includes submitting samples of the proposed item as well as other information, for inspection and testing. You or the proposed vendor will pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.
5. **Inspection or Audit.** If we conduct an inspection or audit of your records and find that any payments due to us have been understated or underpaid, then you must immediately pay us, upon demand, the understated or underpaid amount plus interest from the date any amount was due until paid. If an inspection or audit shows that the information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was materially inaccurate or misleading because you did not maintain and preserve the required records), then you also must reimburse our costs and expenses, including accounting and

attorneys' fees connected with the inspection or audit. An understatement of Net Sales or underpayment of 2% or more in any report is deemed to be materially inaccurate and misleading.

6. **Cost of Enforcement or Defense.** If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement or a related agreement (including non-compete agreements) in a judicial or arbitration proceeding, we will be entitled to reimbursement of our costs, including reasonable accounting and attorneys' fees, resulting from this proceeding. You also will be responsible for our costs of enforcement if your personnel do not comply with their confidentiality or non-competition obligations. This fee will only become due if: (i) you are in default under the Franchise Agreement, in which case you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement; (ii) if we successfully defend claims from you regarding the Franchise Agreement; or (iii) if we incur costs in your defense except where a court with competent jurisdiction determines the claim or expense was caused solely by our gross negligence or willful misconduct.
7. **Technology Fee.** We are a technology-oriented company and you will incur certain technology-related charges in the course of operating your Restaurant. Some of these charges will be payable to vendors and others will be payable to us. In some instances, vendors require that we pay them directly, and we in turn charge our franchisees for those vendors' services (the list of vendors that make that request, and the kind and amount of fees that fall into that category, will charge periodically). We may, in our discretion, provide you with optional hourly support at the current rate of \$100 per hour. The current technology fees that you will pay us each month are:

- FranConnect account \$70
- Zenput (Operational Audits and Checklists)..... \$49
- Zendesk..... \$55
- Opus..... \$107
- \$281

Item 7	Estimated Initial Investment
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YOUR ESTIMATED INITIAL INVESTMENT

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Initial Franchise Fee (Note 1)	\$40,000	\$40,000	Lump Sum	Upon signing Franchise Agreement	Us

**Table A:
YOUR ESTIMATED INITIAL INVESTMENT
(A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Lease (Note 2)	\$24,000	\$71,640	As incurred	Before opening, as incurred	Lessor
Utility Deposit (Note 3)	\$0	\$4,500	As incurred	Before opening, as incurred	Utility Provider
Architect Fees (Note 4)	\$50,000	\$110,000	As incurred	Before opening, as incurred	Third Parties
Construction & Signage Costs (Note 4)	\$235,000	\$1,100,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	\$25,000	\$29,000	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	\$6,000	\$17,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	\$8,000	\$15,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory and Smallwares (Note 8)	\$28,574	\$36,763	As incurred	Before opening, as incurred	Approved Suppliers
Computer Hardware & Software (Note 9)	\$45,000	\$65,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 10)	\$320,000	\$420,000	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing (Note 11)	\$30,000	\$35,000	As incurred	Before and during opening	Various

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Professional Fees (Note 12)	\$6,000	\$33,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	\$25,000	\$50,000	As incurred	After opening	Various
Total	\$842,574	\$2,026,903			

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR FIVE RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Development Fee (Note 1)	\$100,000	\$100,000	Lump Sum	When you sign the Development Agreement	Us
Balance of Initial Franchise Fees due (Note 1)	\$55,000	\$60,000	Lump Sum	\$0 on signing 1 st Franchise Agreement; \$15,000 balance when you sign each of the four additional Franchise Agmts.	Us
Lease (Note 2)	\$120,000	\$286,560	As incurred	Before opening, as incurred	Lessor

**Table B:
YOUR ESTIMATED INITIAL INVESTMENT
(FOR FIVE RESTAURANTS
UNDER A DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Utility Deposit (Note 3)	\$0	\$22,500	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	\$250,000	\$550,000	As incurred	Before opening, as incurred	Third Parties
Construction & Signage Costs (Note 4)	\$1,175,000	\$5,500,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	\$125,000	\$145,000	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	\$30,000	\$85,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	\$40,000	\$75,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory and Smallwares (Note 8)	\$142,870	\$183,815	As incurred	Before opening, as incurred	Approved Suppliers
Computer Hardware & Software (Note 9)	\$225,000	\$325,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 10)	\$1,600,000	\$2,100,000	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing Program (Note 11)	\$150,000	\$175,000	As incurred	Before and during opening	Various

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR FIVE RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Professional Fees (Note 12)	\$30,000	\$165,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	\$125,000	\$250,000	As incurred	After opening	Various
Totals	\$4,167,870	\$10,022,875			

Notes to Tables:

We do not offer direct or indirect financing for any part of the initial investment. We do not guarantee your note, lease or obligations. None of the fees payable to us or our affiliates is refundable. We cannot estimate whether and to what extent fees payable to third parties may be refunded.

Table A provides the estimates applicable if you were to open one franchised Restaurant under a Franchise Agreement.

Table B provides the estimates applicable if you were to sign a Development Agreement to open five Restaurants. Except for the payment of the development fee and the balance of the discounted initial franchise fees due when the franchise agreement for those Restaurants are signed, the figures in Table B are simply five-times the figures in Table A. You and we may agree to enter into a Development Agreement that requires you to open a different number of Restaurants than five; however, you must develop at least two Restaurants under a Development Agreement (there is no maximum number of Restaurants).

1. **Initial Franchise Fee.** The franchise fee is \$40,000 (or \$35,000 if you qualify for an active duty or US veteran discount, applicable to your first Restaurant), as described in Item 5, and is used to defray our costs for providing training, promotional assistance and materials, site selection guidance, and other services.

If you sign a Development Agreement, then you will pay the development fee due under that agreement (as described in Item 5). If you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements, we will apply a portion of the development fee as a credit toward the initial franchise fees (Table B shows that we would credit \$40,000 toward the initial franchise fee due under the first Franchise Agreement, and \$15,000 toward the discounted initial franchise fee due under the Franchise Agreement for Restaurants 2 through 5).

2. **Lease.** You must purchase or lease a space at which to operate your Restaurant. The estimate is for lease payments covering four months' rent (rent for the first three months of operation and one month's security deposit). The estimate assumes a Restaurant that is 2,000 to 2,985 square feet in size, with rent (including CAM charges, taxes, and other fees) at \$36 to \$72 per square foot per year, and no obligation to pay rent during the build-out period (before you open for business).

Restaurant locations include downtown store fronts, suburban centers, entertainment centers, and shopping centers.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided based on factors such as competition and market conditions in your area, the type and nature of improvements needed to the premises, the size of the Restaurant, the terms of the lease, and the desirability of the location. If you cannot negotiate a pre-opening rent abatement, your costs will be higher. If you choose to buy (instead of leasing) the real estate for your Restaurant, you will incur additional costs that we cannot estimate.

3. **Utility Deposit.** You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities but have not assumed any costs in the table. This estimate excludes utility tap (connection) fees, which are typically covered by the lessor; you may incur higher costs if the lessor does not assume the obligation to pay these utility tap (connection) fees.
4. **Architect's Fees, Construction Costs and Signage.** The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including signage, awning, general construction, permits, architectural fees, engineering fees and legal fees. The location, age and size of the Restaurant and the extent of lessor participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne, in part, by the lessor through a tenant improvement allowance for leasehold improvements which have ranged from \$45 to \$125 psf and average \$77 psf. The range of figures in the table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a restaurant operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is based space in the range of 2,000 to 2,985 square feet at a build-out cost of approximately \$205 to \$525 per square foot. If you incur higher build-out costs, then your total expenditure will be higher as well. Signage must be obtained from our approved or your pre-approved supplier and conform to our standards, including standards related to the use of our trademarks as provided in the Brand Manual. Signage costs will vary based on the building design and size.
5. **Initial Training Expenses.** You are responsible for making arrangements and paying the expenses for any persons attending the training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 4 people (the Operating Partner, General Manager, and 2 designees) for up to four weeks in accordance with the training schedule in Item 11 and excludes wages. The estimate assumes a per diem cost and hotel cost of \$230 to \$270 per person, per night plus travel costs of \$350 per person which will vary by city of origin.

6. **Business Licenses and Permits.** This estimate includes costs relating to business license requirements, health and safety regulations (including occupancy), building permits, employment regulations, food handling regulations, music and entertainment (including license fees to copyright and other intellectual property owners and vending and gaming licenses). You should not consider this list as comprehensive. The laws in your state, county, or municipality may be more or less stringent. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.
7. **Business Insurance.** The estimate is to pay for 12 months' insurance coverage under the required minimums under your Franchise Agreement, both before and after you open your Restaurant. The cost of insurance will vary based on the type of policies procured, nature and value of physical assets, gross revenues, number of employees, square footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure. Additional details about the kinds of insurance coverages that are required can be found in Item 8 of this disclosure document.
8. **Initial Inventory.** These amounts represent your initial inventory of small wares and food items, paper and uniforms.
9. **Computer Hardware and Software.** The estimated initial investment includes costs related to the lease of an approved POS System hardware and purchase and installation of ancillary devices including digital menu board, ordering kiosks and payment terminal. We reserve the right to implement as a part of our standards and specifications contained in the Brand Manual the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time. We may require you to use a specific POS System or Back Office System, however, we reserve the right to do so in the future. We have the right to change both the POS and Back Office Systems.
10. **Furniture, Fixtures, and Equipment.** You must furnish your Franchised Business in accordance with our standards. This will include certain required equipment, furniture and fixtures. These costs will vary depending on the size and condition of the Franchise Restaurant. Your required equipment will include the necessary food preparation equipment systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the Restaurant.
11. **Grand Opening Marketing Program.** You will be required to spend the amount specified in your Franchise Agreement on for grand opening marketing and promotional programs in conjunction with the initial launch of your Restaurant, an amount which we estimate will be in the range of \$30,000 to \$35,000. These programs include marketing spanning from 60 days before opening to no later than 90 days post-opening, and may include food and beverage giveaways, and related direct labor.
12. **Professional Fees.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree

to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.

13. **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. Our estimate is based on our own business experience and information and that of our affiliates. You will need to have staff on-hand before opening to prepare the Restaurant for opening, training, orientation, and related purposes. We estimate that you will need to engage staff for approx. 900 hours of staff time (30 people hired who work for a full week of training prior to opening at an average of 6 hours per shift) to get ready for your opening.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Restaurant; timing of your Restaurant opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

Item 8 **Restrictions on Sources of Products and Services**

Required Purchases of Goods and Services

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Brand Manual or otherwise). Among other things, these standards require that you must:

- sell or offer for sale only those Products and Services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all those Products and Services, using the equipment and other items, and employing the techniques that we specify in writing;
- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;
- stop using and offering for use any Products or Services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

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

We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies. We are presently the only approved supplier for some food items, and some furniture, fixtures, and equipment you are required to purchase for the operation of your Franchised Business.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We estimate that the cost of your purchases and leases from sources that we designate, approve, or that are made in accordance with our specifications will be approximately 85-95% of the total cost of establishing a Franchised Business and approximately 85-95% of the cost of continued operation of the franchise.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Approval of Alternative Suppliers

If you want to buy any supplies, or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. We will provide our decision within sixty days after we have received your proposal. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors:

- whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications;
- whether the supplier has adequate quality controls, insurance, capability, and capacity to supply the System's needs promptly and reliably; and
- whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies.

Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We typically will provide you with our response to a proposed new supplier within 30-45 days, but that vary depending on factors such as the nature of the item that is proposed for our consideration and the supplier's cooperation and response. We have the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria (if we revoke our approval, we will notify you in writing). You may not buy items from any supplier that we do not approve in writing, and you must stop buying items from any supplier that we may have approved but later disapprove.

We (and possibly one of our affiliates) are the only designated supplier for certain items that you must buy for the operation of your Franchised Business. None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business (except through ownership of mutual funds that might hold such an interest).

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us (or our affiliates) based upon system-wide purchases of Products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of the Products, equipment and other items. We may either retain those volume discounts, rebates, or incentives to defray our expenses related to seeking, negotiating, and arranging purchasing agreement, or we may contribute all or a portion of those amounts to the Brand Development Fund and/or National Digital Media Fund.

We and our affiliates may derive revenue based on franchisee purchases. During the fiscal year ended December 31, 2024, neither we nor any of our affiliates derived revenue from the sale of products to our franchisees and licensees.

We have no purchasing or distribution cooperatives at the current time. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of Restaurants.

We have the right to negotiate prices and terms with suppliers for the benefit of our franchisees. Currently, neither we nor our affiliates have negotiated arrangements with suppliers for the benefit of our franchisees.

We do not provide material benefits to franchisees based on a franchisee’s purchase of particular products or services or use of a designated or approved supplier.

Insurance

You are required to obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages, including:

- Commercial general liability insurance protecting against any and all claims for personal, bodily or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of \$2,000,000 combined single limit per occurrence and \$2,000,000 general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage may not exclude losses due to assault, battery, or the use or brandishing of firearms.
- Comprehensive automobile liability insurance, including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than \$1,000,000 combined single limit for both bodily injury and property damage. Such policy must have the contractual

exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.

- Statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of \$500,000, statutory requirements, and the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.
- Data theft and cybersecurity coverage with limits of liability not less than \$500,000 combined single limit.
- Employment practices liability insurance with limits of liability not less than \$1,000,000 combined single limit.
- Foodborne illness coverage (which may be included within the general liability coverage noted above) with coverage of at least \$1,000,000 combined single limit for both bodily injury and property damage (with no virus exclusions).
- Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than \$1,000,000 total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- Property insurance providing coverage for direct physical loss or damage to real and personal property in minimum coverage sufficient to provide full replacement cost value for the building and its contents for all risk perils, including the perils of flood and earthquake. Appropriate coverage must also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least \$25,000, off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include wind or named storm deductible at 2% with \$10,000 minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.
- Products liability insurance in an amount not less than \$1,000,000, which policy will be considered primary (if this is not already included within the general liability coverage).
- Any other insurance coverage that is required by federal, state, or municipal law.

These policies must all include us and any entity in which we have an interest, as well as our affiliates, and each of our respective members, managers, shareholders, directors, officers, partners, employees, servants, and agents, as additional insured parties.

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

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	8	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 14	Not applicable	11
c.	Site development and other pre-opening requirements	3.2, 5.2, 5.4, and 5.7	1, 2, and 8	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	Not applicable	11
e.	Opening	3.3, 3.7, 5.1, 5.4, 5.7 and 8.2	8	5, 6, 7, 11
f.	Fees	2.2.6, 4 and 16.5.9	4	5, 6
g.	Compliance with standards and policies/operating manual	1.5, 3.4, 5, 7, 8.1, and 10	Not applicable	8, 11, 15
h.	Trademarks and proprietary information	1.1 and 9	7	13, 14
i.	Restrictions on products/services offered	1.5 and 7	Not applicable	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2 and Exhibit A	12
l.	Ongoing product/service purchases	7	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.6	Not applicable	11
n.	Insurance	15	9.1	7, 8, 11
o.	Advertising	3.5, 3.6 and 13	Not applicable	6, 11
p.	Indemnification	21 and Ex. C	9.7 and 13	14
q.	Owner's participation/management/staffing	8.7	Not applicable	11, 15

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
r.	Records and reports	4.2, 12 and 15.7	Not applicable	6, 11
s.	Inspections and audits	3.7, 8.11 and 12	Not applicable	6, 11
t.	Transfer	8.10, 16 and 19.5	9.2 and 10	17
u.	Renewal	2.2	Not applicable	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3 and 19.5	9.3, 9.4, and 11	17
w.	Non-competition covenants	19	9.5	17
x.	Dispute resolution	27	9.13	17
y.	Taxes/permits	5.4, 8.8 and 20	9.6	Not applicable
z.	Other: Personal Guarantee	Ex. B	Ex. B	15

Item 10 **Financing**

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

Item 11 **Franchisor's Assistance, Advertising, Computer Systems, and Training**

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

Pre-Opening Assistance:

Before you open your Franchised Business, we will:

1. Provide services in connection with your site, including:
 - Site selection guidelines, counseling, and assistance as we deem advisable (Franchise Agreement, Section 1.2);
 - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (Franchise Agreement, Section 1.2);
 - Written notice of approval or disapproval of the proposed site within 30 days of receiving your site selection package submission (Franchise Agreement, Section 1.2);
 - Review of lease, sublease, design plans, and renovation plans for the Restaurant (Franchise Agreement, Section 3.3); and

- We will review (and when appropriate, accept) proposed sites and Protected Areas for Restaurants under a Development Agreement using our then-current site criteria and our then-current criteria for determining Protected Areas (Development Agreement, Section 10).
2. Make available our standard layout, design and image specifications for a Restaurant, including:
 - Plans for exterior and interior design and layout (Franchise Agreement, Section 3.3); and
 - Written specifications for fixtures, furnishings, equipment, and signage (Franchise Agreement, Section 3.3), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);
 3. Give you access to the Brand Manual (as more fully described below in this Item 11 of this FDD) (Franchise Agreement, Section 3.5);
 4. Provide you with training (as more fully described below in this Item 11 of this FDD) (Franchise Agreement, Section 3.1);
 5. Assist you in developing your Grand Opening Marketing Program (Franchise Agreement, Section 3.6);
 6. Inspect and evaluate your Restaurant before it first opens for business (Franchise Agreement, Section 3.8); and
 7. Provide a representative to be present at the opening of the Restaurant (Franchise Agreement, Section 3.4).

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Continuing Assistance:

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business:

1. Provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine (Franchise Agreement, Section 3.9);
2. Periodically offer you the services of certain of our representatives, such as field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations (Franchise Agreement, Section 3.9); and
3. Provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper (Franchise Agreement, Section 6.4).
4. Periodically provide suggested retail pricing, subject to applicable law (Franchise Agreement, Section 18.12).

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

Typical Length of Time Before Start of Operations:

You must open your Franchised Business within one year from the date you sign the Franchise Agreement. If you do not do so, that will be a default under the Franchise Agreement.

We estimate the length of time between the signing of the Franchise Agreement and the time you open your Restaurant at 270 to 365 days. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training. You should have a suitable location and signed lease within 180 days of signing the Franchise Agreement.

Advertising:

You must contribute or spend an amount equal to 3% of the Net Sales of the Franchised Business for marketing (the “**Marketing Contribution**”).

We have the right to allocate your Marketing Contribution among: (a) the Brand Development Fund; (b) the National Digital Media Fund; and (c) local promotional expenditures. Local promotional expenditures may consist of: (i) your own local store marketing expenditure; and (ii) contributions to a Regional Fund (if there is one for your area). Currently, we allocate the Marketing Contribution as follows:

0.5% of Net Sales	To be contributed each Week to the Brand Development Fund; and
1.5% of Net Sales	To be contributed each Week to the National Digital Media Fund
1.0% of Net Sales	For you to spend each quarter on local promotional expenditures.

We have the right to periodically change the allocation of the Marketing Contribution. We are not required to spend a specific or any amount on advertising in your area or any area or to use any particular media for advertising.

The Brand Development Fund and the National Digital Media Fund. The following terms will apply to the Brand Development Fund and National Digital Media Fund (as well as others in the Franchise Agreement):

- (1) We will have the right to make all decisions and set all standards concerning all marketing programs, and any concepts, materials, and media used in such programs.
- (2) The Brand Development Fund, all contributions to that fund, and the fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations or promotional programs and materials, and any other activities that we believe will enhance the image of the System.
- (3) Neither the Brand Development Fund nor the National Digital Media Fund will be our asset. We will prepare and make available to you upon request an annual statement of the operations of the Brand Development Fund as shown on our books.

- (4) Although the Brand Development Fund and the National Digital Media Fund are intended to be of perpetual duration, we will have the right to terminate the Brand Development Fund as well as the National Digital Media Fund. These funds will not be terminated, however, until all monies in those funds have been expended for those funds' purposes.
- (5) None of the amounts in the Brand Development Fund or the National Digital Media Fund will be used for marketing that is principally a solicitation for the sale of franchises.
- (6) As to the Brand Development Fund and the National Digital Media Fund: (a) we will not be required to spend any particular amount on marketing in the area where your Restaurant is located; and (c) if there are unspent amounts in the Brand Development Fund or the National Digital Media Fund at fiscal year-end, those amounts are carried over for expenditure in the following year.
- (7) We do not currently have an advertising council composed of franchisees that advises us on advertising policies.
- (8) We will make an annual accounting of the Brand Development Fund and the National Digital Media Fund available upon request. Neither fund will be audited.
- (9) Company- or affiliate-owned Restaurants will contribute to the Brand Development Fund and the National Digital Media Fund on the same basis as those that currently apply to franchised Restaurants.
- (10) The "**National Digital Media Fund**" will be used to cover the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, digital and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeted online and social marketing, search engine optimization (SEO), and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).
- (11) As of the date of this disclosure document, we did not have any franchisees. Therefore, we have not collected any Marketing Contributions.

Local promotional expenditures. Your local promotional expenditures will have two possible components. The first and primary component will be your own local store marketing (as described below). The second component will arise only in areas where there is a concentration

of franchises in the same marketing area, where we may create a regional fund (as also described below).

- 1) *Local Store Marketing.* You may be required to spend a certain amount on local store marketing on a continuous basis throughout the term of your Franchise Agreement. Currently, this requirement is set at a minimum of 1.0% of your Net Sales.
 - A. Local store marketing includes only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.
 - B. We will apply certain criteria in reviewing and evaluating the local store marketing that you conduct. All of your local store marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 business days, then we will have been deemed to disapprove the plans or materials. Any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property.
 - C. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local store marketing.
 - D. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local store marketing, which will focus on disseminating marketing directly related to your Franchised Business.
- 2) *Regional Fund.* If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. We do not currently have any Regional Funds. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:
 - A. If a Regional Fund for the area in which your Franchised Business operates was already established when you start operating under the Franchise Agreement, then you will have to join that Regional Fund.
 - B. If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you would have to join that Regional Fund within 30 days after that Regional Fund is established. You will not be required to join more than one Regional Fund.
 - C. Once you become a member of a Regional Fund, you must contribute an amount to the Regional Fund in an amount that we specify, not to exceed 3% of your Net Sales

for each Franchised Business that you own that exists within the cooperative's area, except a majority of the Restaurant owners in the Regional Fund may vote to increase the amount of each Restaurant owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each Restaurant's Net Sales. This contribution will count towards your local promotional expenditures. We (or our affiliates) will become a member of any Regional Fund that is applicable to a full-service Restaurant owned by us or our affiliates, and will make contributions on the same basis as comparable franchisees.

- D. Each Regional Fund will be organized and governed in a form and manner, and start operations on a date that we have approved in advance, in writing. Members of each Regional Fund will be responsible for administering the Regional Fund, subject to our approval. Each Regional Fund will operate pursuant to written governing documents that we have approved in advance, which may be revised from time to time and will be made available for your review. Voting will be on the basis of one vote per full-service Restaurant (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates) and any full-service Restaurants that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees.
- E. Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.
- F. Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to close any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund are spent for marketing purposes.
- G. Regional Funds' funds will not be audited, and there will be no financial statements available for review.

Grand Opening Marketing Program. You must spend at least \$30,000 to \$35,000 for grand opening marketing and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin 90 days before the scheduled opening date for your Franchised Business and must be completed no later than 90 days after the Franchised Business starts to operate. Like all other marketing, your Grand Opening Marketing Program will be subject to our prior approval, marketing standards, and requirements. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost of those food give-aways).

Computer Requirements:

We may require our franchisees to lease a Computer System. You must meet our requirements concerning the Computer System, including: (a) back office and point of sale systems, data, audio, video telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; (b) POS systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (such as digital menu boards); (e) archival

back-up systems; (f) internet access mode (such as the telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) front-of-the-house WiFi and other internet service for customers; (i) in-Restaurant music systems; (j) age verification technology; (k) and supply-chain management software and hardware programs (collectively, all of the above are referred to as the “**Computer System**”).

The Point of Sale (POS) system consists of a PC-based, Android or iOS hardware platform (including PC processor and peripheral hardware devices such as touch screens, printers, bar code readers, card readers, NFC readers, cash drawers, kiosks, paging and SMS texting hardware, battery back-up (UPS), KDS (kitchen display system), etc.) combined with POS software. You must be able to maintain a continuous cabled or wireless connection to the internet to send and receive POS data to us. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System.

We rely on suppliers to provide support for the hardware and software, and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the current cost of leasing the Computer System and Required Software will be \$782 and \$545 a month, respectively. In addition to the lease costs, we estimate the current cost to purchase ancillary devices at \$45,000 to \$65,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software. The monthly maintenance costs for your Computer System and Required Software are included in your monthly lease payments.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business’ business e-mails.

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the independent right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We have the right to require you to use one or more designated telephone vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business.

Digital Sites. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term “**Digital Site**” means one or more related documents, designs,

pages, or other communications that can be accessed through electronic means. This includes for example current and future functions such as the Internet, World Wide Web, webpages, microsites, social networking sites (for example, Facebook, X, LinkedIn, You Tube, Pinterest, Yelp, Instagram, TikTok, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc. However, if we approve a separate Digital Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us, for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Digital Site without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Standards Manuals or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

Data. All of the data that you collect, create, provide, or otherwise develop is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of this Agreement, or any transfer.

You must comply with all laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). You must also comply with our standards and policies concerning the privacy of consumer, employee, and transactional information.

Brand Manual:

We will give you access to a digital copy of our Brand Manual for your use in connection with the Franchised Business during the term of the Franchise Agreement. The Brand Manual contains our brand standards and specifications for you to follow in connection with your Restaurant. Although we plan to make the Brand Manual available digitally on a portal or similar platform, we have the right to provide some or all of the Brand Manual in any format that we designate. The contents of the Brand Manual will always be our sole property and you must treat the Brand Manual as confidential. You also must promptly return to us any copies that you made of the Brand Manual (whether or not permitted) after the Franchise Agreement terminates or expires. (Franchise Agreement Section 10).

We have the right to periodically update and modify the contents and format of the Brand Manual. The Brand Manual currently has 412 digital screens or pages, and the Table of Contents to the current Brand Manual is found as Exhibit F to this FDD.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Starbird Welcome/Orientation	0.5	1.0	Certified Training Store in San Francisco, California
Prep Station Manual, Prep List, Wall Chart	0.5	24.5	Certified Training Store in San Francisco, California
Chicken Station Manual	1.0	19.0	Certified Training Store in San Francisco, California
Line Station Manual	1.0	39.0	Certified Training Store in San Francisco, California
Expeditor Station Manual	0.5	19.5	Certified Training Store in San Francisco, California
Cashier Station Manual	0.5	19.5	Certified Training Store in San Francisco, California
Catering Manual	1.0	5.0	Certified Training Store in San Francisco, California
Local Store Marketing Manual	1.0	5.0	Certified Training Store in San Francisco, California
Systems/Technology Manual	1.0	5.0	Certified Training Store in San Francisco, California
Manager Training Guide	0.5	4.5	Certified Training Store in San Francisco, California
Recipes & Procedures	0.5	40.0	Certified Training Store in San Francisco, California
Build Card Drills	1.0	4.0	Certified Training Store in San Francisco, California
Quick Reference Guide (Chart Package)	0.0	1.0	Certified Training Store in San Francisco, California
Store Audit Checklist	1.0	4.0	Certified Training Store in San Francisco, California

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Line Check	1.0	4.0	Certified Training Store in San Francisco, California
Daily/Weekly/Monthly Cleaning Schedules	0.0	1.0	Certified Training Store in San Francisco, California
Food Safety Manager Certification	4.0	0.0	LMS
Safe Food Handler Card Certification	1.0	0.0	LMS
TBD Training Guides (Certified Trainer, Lead, Supervisor)	1.0	4.0	Certified Training Store in San Francisco, California
Certified Training Store Manual	0.5	0.0	Certified Training Store in San Francisco, California
TOTAL	17.5	200.0	

We currently provide “classroom” training on our LMS (learning management system) portal.

Training will be conducted over a 20 business-day period, starting at one or more Certified Training Locations. Training sessions will be scheduled and conducted as frequently as it is necessary. Training will not be scheduled until a lease is signed for your location. All of your personnel must attend all aspects of the training program established. If any of your personnel do not attend or successfully complete any portion of the training program, that may result in failure of certification and a delayed store opening, or termination of the Franchise Agreement.

Additional New Store Opening Training may be requested or deemed necessary by Starbird Corporate. New Store Opening training beyond 7 days will be charged at a rate of \$1,000 per day plus travel and accommodation expenses of each of our support personnel staff that provide the training.

Kathleen McMurray is our Director of Training and Development, and will be responsible for supervising the initial training program. Kathleen has over 21 years of experience with operating businesses such as a Restaurant and has 1 year of experience with us.

The instructional materials for our training programs include the Brand Manual, lecture, discussions, and practice.

Under the Franchise Agreement, the Operating Partner and General Manager must attend and successfully complete, to our satisfaction, our training program. You must complete training at least 60 days and not more than 90 days before you open your Restaurant. (Franchise Agreement Sections 6.2, 6.3, and 6.4.)

You may send up to four additional individuals to the initial training program; if you want to send more individuals, and we agree to have them join the session, then you must pay us a discounted training fee for each of those individuals.

If for any reason your Operating Partner or your General Manager stop active management or employment at the Franchised Business, or if we revoke the certification of your Operating Partner or your General Manager to serve in those capacities, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. If the replacement is the fourth or any subsequent replacement during the term of your Franchise Agreement, then you will have to pay us a discounted training fee (our then-current daily training rate) for each such person to be trained, with full payment due before training starts.

We may require that you and your Operating Partner and General Manager attend refresher courses, seminars, and other training programs that we may reasonably require periodically. We may further require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

We will bear the cost of providing the instruction and required materials, except for additional and replacement training. You are responsible for making arrangements and paying all of the expenses, wages, and compensation for your staff that attends the training program.

Item 12

Territory

Franchise Agreement

Under the Franchise Agreement, you have the right to establish and operate one Restaurant at a specific location that we have accepted ("**Accepted Location**"). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

However, during the term of the Franchise Agreement, so long as you remain in compliance with the terms of the Franchise Agreement, we will not establish nor license anyone else to establish, another "Starbird" Restaurant at any location within the "**Protected Area**" that is designated in your Franchise Agreement. We (and our affiliates) retain all other rights. Accordingly, we will have the right (among other things), on the conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- Establish, and franchise others to establish, Restaurants anywhere outside the Protected Area.
- Establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks, even if those businesses offer or sell products and services that are the same as or similar to those offered from your Franchised Business, no matter where those businesses are located;
- Establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;

- Operate (and license other parties to operate) remote, dark, ghost, and all other kinds of off-premises kitchens (other than a “Starbird” Restaurant off-premises kitchen) anywhere;
- Acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a “Starbird” Restaurant inside the Protected Area).
- Market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e-commerce), anywhere (but not from a “Starbird” Restaurant operating inside the Protected Area).

The term “**Captive Market Location**” includes, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).

The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

Additionally, you understand that we (and any of our affiliates and designees) reserve the right to distribute or sell any of our products: (a) in grocery stores and other retailers, and anywhere else, but not from another “Starbird” Restaurant operating in the Protected Area. The Franchise Agreement does not grant you any rights with regard to such sales programs, whether they exist now or are developed later.

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Brand Manual; and (b) to customers and clients of the Franchised Business.

You may not offer or sell services or products through any means other than through the Franchised Business at the Accepted Location; and therefore, for example, you may not offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, or through any other electronic or print media.

For catering service provided at customers’ homes, offices, and other locations (“**Catering**”), and for delivery service through the use of an approved local third-party provider of delivery services (“**Delivery**”): (a) you may not conduct Catering or Delivery activities during the initial operating and training period of the Franchised Business or without our prior written approval; (b) all Catering and Delivery activities must be conducted in accordance with the terms and conditions stated in this Agreement and the standards that we set in the Brand Manual; and (c) we have the right to revoke our approval of Catering or Delivery at any time. Further, we have the right to require that you execute Delivery through Restaurant staff or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such Delivery services, including the arrangements that you propose to make with any third-party delivery vendor.

We may (without an obligation to do so) develop and offer you the opportunity to use some or all of the Virtual Brands to offer and sell products in your Protected Territory. If we offer you the right to do so, then:

- You would be granted the opportunity to prepare and offers products using the designated Virtual Brands to customers in your Protected Territory (so long as you do so in compliance with our rules governing Catering and Delivery).
- We will retain the sole right to adjust, change, or revoke permission for your use of any one or more of the Virtual Brands;
- We will not charge an additional initial fee for your use of a Virtual Brand (but all such sales will be included within your Franchised Business' Net Sales); and
- All sales made in connection with Virtual Brands must be conducted in accordance with the terms of your Franchise Agreement, the Brand Manuals, and our other requirements that we periodically set for the use of (and offerings under) those Virtual Brands.

During any period in which we have granted you the right to use a Virtual Brand, we will not authorize other parties to sell products using those same Virtual Brands in your Protected Territory.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written consent. If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a "Starbird" Restaurant for a new franchisee.

You do not need to meet any particular sales or revenue volume in order to keep your Protected Territory as described above so long as you stay in compliance with the terms of your Franchise Agreement.

We do not have the right to modify your Protected Territory so long as you stay in compliance with the terms of your Franchise Agreement.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere.

Area Development Agreement

If you and we enter into a Development Agreement, you will be awarded a Development Area. The size of the Development Area will vary based on a number of factors including the density of the area, the number of Restaurants you must develop, demographics, competition, and location of any existing Restaurants in the general area. As a result, the Development Area is likely to consist of a portion of the city, county, or designated market area. The agreed-upon Development Area will be identified in the Development Agreement.

If you are a Developer, then we will not establish or license anyone other than you to establish a Restaurant under the System in your Development Area, until the end of the period of time specified in the Development Schedule to your Area Development Agreement (so long as you are in compliance with the Development Agreement), except that we will reserve all of the rights described below.

We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- use, and to license others to use, the System and the Proprietary Marks (defined below) for the operation of Restaurants at any location outside the Development Area;
- acquire and operate (or be acquired by) any business or program of any kind, whether located within or outside the Development Area (but we will not change those other businesses into “Starbird” Restaurants operated in the Development Area);
- use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses or programs at any location, which businesses and marks may be the same as, similar to, or different from the Restaurant and Proprietary Marks (but these will not be “Starbird” Restaurants located in the Development Area);
- exercise all rights that are reserved under the Franchise Agreement; and
- sell or market any programs products or services, using the Proprietary Marks or other marks, to purchasers who live or operate businesses in the Development Area by electronic media (such as the Internet and mobile applications), phone sales, catalogs, or direct mail, but we will not do so from a “Starbird” Restaurant located in the Development Area.




As a result, you will not receive an exclusive territory under a Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.



Except for the requirement that you be in compliance with your obligations under the Development Agreement (including for example the development schedule), continuation of your rights under the Development Agreement, as described above, is not subject to achieving any particular sales volume, market penetration, quota, or other benchmark. We may not modify your territorial rights. We will review (and when appropriate, accept) proposed sites and Protected Areas for Restaurants under a Development Agreement using our then-current site criteria and our then-current criteria for determining Protected Areas.

Item 13**Trademarks**


Under a Franchise Agreement, we will license you to operate a Franchised Business under the trademark “STARBIRD” (plus the designs, logos, and other current or future trademarks that we authorize you to use to identify your Restaurant).

Our parent, Chicken Coup, LLC, owns and has registered the following principal Proprietary Marks (among others) on the principal register of the U.S. Patent and Trademark Office (“**USPTO**”):

Mark	Registration No.	Registration Date
STARBIRD	5050481	September 27, 2016
Hotbird	5769130	June 4, 2019
	5844234	August 27, 2019
Positively Delicious Chicken	5850437	September 3, 2019
Charbird	5899335	October 29, 2019
Big Star	5953334	January 7, 2020
STARBIRD	6050760	May 12, 2020
	6260505	February 2, 2021
	6260504	February 2, 2021
GARBENBIRD	6449661	August 10, 2021

Mark	Registration No.	Registration Date
	6597389	December 21, 2021
GARDENBIRD	6597459	December 21, 2021
	6657013	March 1, 2022
FEEL GOOD CRISPY CHICKEN	7129685	August 8, 2023
	7148644	August 29, 2023
CRISPY CHICKEN, PERFECTED	7219659	November 14, 2023
SEOUL SAUCE	7295737	January 30, 2024
STARBIRD	7374291	April 30, 2024
STARBIRD 2.0	7374444	April 30, 2024
SEOUL STAR	7410361	June 4, 2024
BLAZIN' RANCH	7573927	November 19, 2024
STARBIRD NUGGETS	7690098	February 11, 2025

Our parent, Chicken Coup LLC, has applied to register the following marks on the principal register of the USPTO:

Mark	Serial No.	Filing Date
	99050992	February 21, 2025

Chicken Coup LLC does not yet have a federal registration for the trademark with serial number and 99050992. Therefore, this mark does not have as many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our parent intends to file affidavits of use and affidavits of incontestability, as well as applications for renewal, when those become due.

We entered into a license agreement dated April 7, 2022 and amended on March 23, 2023 with our parent concerning the Proprietary Marks (the “**License Agreement**”). Under the License Agreement, our parent granted us a non-exclusive, royalty-free right to use, and to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising Starbird Restaurants. The License Agreement is perpetual, but is terminable by either party for material uncured breach. If the License Agreement is terminated, then our parent will replace us as the licensor of the Proprietary Marks for the remaining term of your Franchise Agreement.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Marks: (1) as part of any corporate name or other business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) in connection with performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner in connection with an Online Site without our prior written approval; (5) in any H.R. document (such as a paystub, paycheck, employment application, etc.); or (6) in any way that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your Franchised Business in the manner we specify (such as on invoices, order forms, receipts, employment agreements, and contracts). You must also use the trademark registration notices that we require, and obtain any assumed business name registrations that applicable law requires.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. Other than the License Agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other

commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks no longer can be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. If we do so, you will have to adopt the new Proprietary Marks (for example, update your signage) at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

Item 14 **Patents, Copyrights, and Proprietary Information**

Copyrights

We own common law copyrights in the Brand Manual, our recipe books, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will provide to you, under the terms of the Franchise Agreement, standard floor plans and specifications for construction of a Restaurant. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable acceptance, to prepare plans and specifications for construction of your Restaurant, based upon our standard plans. These revised plans will be subject to our acceptance. You will be entitled to use the plans only for the construction of a single Restaurant at the site that we have accepted under the Franchise Agreement, and for no other purpose. We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the USPTO, U.S. Copyright Office, or any court concerning any copyright. There are no currently effective agreements under which we derive our rights in the copyrights and that could limit your use of those copyrighted materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Brand Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Brand Manual. We will lend you one set of our Brand Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Brand Manual, any other Brand Manual we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Brand Manual and the related materials, in whole or in part (except for the parts of the Brand Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Brand Manual will always be our sole property. You must always maintain the security of the Brand Manual.

We may periodically revise the contents of the Brand Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Manual, the version of the Brand Manual (that we maintain) will be controlling.

Confidential Information

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

In addition, you must require each of your Principals and your General Managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are attached as Exhibit F to the Franchise Agreement). Once signed, you must provide us a copy of each executed confidentiality agreement.

Patents

No patents are material to the franchise. If it becomes advisable to us at any time to acquire a patent, you will be obligated to use the acquired patent as we may require.

Item 15 Obligation to Participate in the Actual Operation of the Franchise Business

The Franchise Agreement requires that you (or your Operating Partner or one of your designated Management Personnel who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your Restaurant must be managed at all times by you (or your Operating Partner or General Manager) or by a manager who has completed our initial training program to our satisfaction. The Operating Partner must own at a voting and ownership interest in the franchisee entity. You must obtain personal covenants from your Management Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. All of the owners of your entity, and their spouses, must sign the personal guarantee that is attached to the Franchise Agreement.

Item 16 Restrictions on What Franchisee May Sell

You must offer and sell only those goods and services that we have approved. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the trademarks.

All food and beverage products must be prepared and served only by properly trained personnel in accordance with the Brand Manual. All items offered from the Restaurant will be sold only at retail to customers unless otherwise approved by us.

We have the right to add other authorized goods and services that you must offer. These changes also may include new, different or modified equipment or fixtures necessary to offer such products and services. There are no limits on our right to make these changes.

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THE FRANCHISE RELATIONSHIP

The tables that follow list important provisions of the Franchise Agreement (which is attached as Exhibit A to this Franchise Disclosure Document) and the Development Agreement (which is attached as Exhibit B to this Franchise Disclosure Document).

TABLE A: THE FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	2.1	Term expires at the earlier of: (a) ten years from the commencement date of the lease for the Franchised Business' premises; and (b) eleven years after the Effective Date of the Franchise Agreement
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for one additional ten-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in "c" below
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement; payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d.	Termination by you	Not applicable	Subject to state law
e.	Termination by us without cause	Not applicable	

**TABLE A:
THE FRANCHISE AGREEMENT**

	Provision	Section in Franchise Agreement	Summary
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18 to 19	Stop operating the Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, and 19.
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights or obligations under the Franchise Agreement; or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4 to 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay

**TABLE A:
THE FRANCHISE AGREEMENT**

	Provision	Section in Franchise Agreement	Summary
			reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the franchise term	19.2 to 19.6	Prohibits engaging in “Competitive Business” (meaning any foodservice business that specializes in serving offering, serving, or selling chicken-based food items as more than 25% of its total offerings or total revenue) during the Franchise Agreement term with no other temporal or geographical limitation (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	19.2 to 19.6	Prohibits engaging in Competitive Business within two miles of (a) Accepted Location for your Restaurant and (b) any other Restaurant. Applies for two years after expiration, termination, or a transfer (subject to state law.
s.	Modification of the agreement	25.2	Only with mutual agreement and in writing.
t.	Integration/merger clause	25.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations, prior statements, or promises will be binding (and supersede all prior agreements). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure

TABLE A: THE FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
			document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction over San Francisco, California. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	27.1	California law. Your state law may impact this provision.
Table B: THE DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
a.	Length of the franchise term	3	The Development Schedule term will be agreed upon by the parties before entering into the Development Agreement
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by you	Not Applicable	Subject to state law
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	11.4 and 13	Failure to meet the Development Schedule, default or termination under the Franchise Agreement, abandonment, and other grounds; this also cross-references § 17 of the Franchise Agreement. Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements.

**Table B:
THE DEVELOPMENT AGREEMENT**

	Obligation	Section in Development Agreement	Summary
			This clause, like many of those in the Development Agreement, incorporate by reference the corresponding provisions of the Franchise Agreement. Please also see § 9 of the Development Agreement.
g.	"Cause" defined – curable defaults	11.4 and 13	Please also see §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	11.4 and 13	Failure to meet development schedule or termination of a Franchise Agreement, and others; please also see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	11.5	Please see also §§ 18.1 to 18.11 of the Franchise Agreement.
j.	Assignment of contracts by us	9.2	There are no limits on our right to assign the Development Agreement.
k.	"Transfer" by you – definition	11.3 and 12	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Development Agreement; (b) you; (c) any or all of your rights or obligations under the Development Agreement; or (d) all or substantially all of the assets of the developer's business.
l.	Our approval of transfer by you	11.3 and 12	We have the right to review and approve all proposed transfers.
m.	Conditions for our approval of transfer	11.3 and 12	Your compliance with the agreement, a release, the buyer's signature of a new Development Agreement, the payment of transfer fee, and others; please also see §§ 16.5.1 to 16.5.10 of the Franchise Agreement. We may also withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Development Agreement.

**Table B:
THE DEVELOPMENT AGREEMENT**

	Obligation	Section in Development Agreement	Summary
n.	Our right of first refusal to acquire your business	11.3	We can match any offer, or the cash equivalent. Please also see § 16.6 of the Franchise Agreement.
o.	Our option to purchase your business	9.4	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration. Please also see §§ 18.4–18.5 of the Franchise Agreement
p.	Your death or disability	11.3	An interest in Development Agreement must be transferred to a third-party we have approved within six months. Please also see § 16.7 of the Franchise Agreement.
q.	Non-competition covenants during the franchise term	11.6	Prohibits engaging in “Competitive Business” (meaning any foodservice business that specializes in serving offering, serving, or selling chicken-based food items as more than 25% of its total offerings or total revenue) during the Development Agreement term with no other temporal or geographical limitation (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	11.6	Includes a two-year prohibition similar to “q” (above), within the Development Area and within five miles of that area, and also within five miles of any other Restaurant then operating under the System (subject to state law).
s.	Modification of the agreement	14	Must be in writing executed by both parties.
t.	Integration/merger clause	14	Only the terms of the Development Agreement are binding. Notwithstanding the foregoing, nothing in the Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	11.13 and 27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Development Agreement contains provisions

Table B: THE DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
			that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. Please also see § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	11.13 and 27	Any action you bring against us must be brought only within courts with jurisdiction over San Francisco, California. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	11.13 and 27	California law. Your state law may impact this provision.

Item 18

Public Figures

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

Item 19

Financial Performance Representations

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

Tables A and B below present data drawn from the five company-owned restaurants that were open for all of calendar year 2022, the seven company-owned restaurants that were open for all of calendar year 2023, and the eight company-owned restaurants that were open for all of calendar year 2024. Table A presents median figures; Table B presents averages.

Table A - Median							
Year	2024		2023		2022		
# Restaurants	8		7		5		
	% of Net Sales		% of Net Sales		% of Net Sales		
Gross Sales	4,346,310	102.1%	4,182,694	101.9%	4,394,891	102.1%	
Less Promotions	89,284	2.1%	77,478	1.9%	90,851	2.1%	
Net Sales	4,257,026	100%	4,105,216	100.0%	4,304,040	100.0%	
Cost of Goods Sold	1,299,507	30.5%	1,365,481	33.3%	1,590,138	36.9%	
Cost of Labor	1,097,675	25.8%	1,105,671	26.9%	1,106,382	25.7%	
Prime Costs	2,397,182	56.3%	2,471,152	60.2%	2,696,520	62.7%	
Controllable Costs	650,995	15.3%	645,253	15.7%	661,719	15.4%	
Marketing Costs	59,202	1.4%	53,283	1.3%	52,723	1.2%	
Occupancy Costs	191,074	4.5%	183,830	4.5%	167,846	3.9%	
EBITDA	892,848	21.0%	751,698	18.3%	725,233	16.9%	
Adjustments: Less							
Royalties	212,851	5.0%	205,261	5.0%	215,202	5.0%	
Marketing (Incremental to company spend for a total of 3.0% of Net Sales)	68,112	1.6%	69,789	1.7%	76,398	1.8%	
IT/Technology (Item 6)	2,088	0.1%	2,088	0.1%	9,360	0.2%	
Franchisee Imputed EBITDA	609,797	14.3%	474,560	11.5%	424,272	9.9%	

Table B - Average							
Year	2024		2023		2022		
# Restaurants	8		7		5		
		% of Net Sales		% of Net Sales		% of Net Sales	
Gross Sales	3,730,623	102.5%	3,803,797	102.2%	4,175,616	102.4%	
Less Promotions	91,991	2.5%	80,622	2.2%	99,495	2.4%	
Net Sales	3,638,632	100.0%	3,723,175	100.0%	4,076,121	100.0%	
Cost of Goods Sold	1,093,134	30.0%	1,250,815	33.6%	1,528,688	37.5%	
Cost of Labor	996,556	27.4%	1,031,994	27.7%	1,100,708	27.0%	
Prime Costs	2,089,690	57.4%	2,282,809	61.3%	2,629,396	64.5%	
Controllable Costs	570,559	15.7%	564,476	15.2%	623,186	15.3%	
Marketing Costs	63,037	1.7%	56,283	1.5%	52,833	1.3%	
Occupancy Costs	206,157	5.7%	198,269	5.3%	194,970	4.8%	
EBITDA	709,189	19.5%	621,338	16.7%	575,736	14.1%	
Adjustments: Less							
Royalties	181,932	5.0%	186,159	5.0%	203,806	5.0%	
Marketing (Incremental to company spend for a total of 3.0% of Net Sales)	47,302	1.3%	55,848	1.5%	69,450	1.7%	
IT/Technology (Item 6)	2,088	0.1%	2,088	0.1%	9,360	0.2%	
Franchisee Imputed EBITDA	477,867	13.1%	377,243	10.1%	293,119	7.2%	

Notes to Tables A and B above:

1. There were 7 company restaurants open as of December 31, 2022, 8 company restaurants open as of December 31, 2023 and 13 company restaurants open as of December 31, 2024. The tables above include the 5 company restaurants open for the entire year of 2022, the 7 company restaurants open for the entire year of 2023 and the 8 company restaurants open for the entire year of 2024.
 - a. In 2022, four of these restaurants (80%) met or exceeded the average Net Sales. The Net Sales of these restaurants in 2022 ranged from \$4,164,471 to \$4,516,769.
 - b. In 2023, four of these restaurants (57%) met or exceeded the average Net Sales. The Net Sales of these restaurants in 2023 ranged from \$4,105,216 to \$4,659,275.
 - c. In 2024, six of these restaurants (75%) met or exceeded the average Net Sales. The Net Sales of these restaurants in 2024 ranged from \$3,912,493 to \$4,806,277.
2. The five company owned restaurants included in the 2022 data:
 - a. average 2,128 sq. ft. in size excluding external storage; and
 - b. were open for an average of 3.26 years at the start of 2022.
3. The seven company owned restaurants included in the 2023 data:
 - a. average 2,197 sq. ft. in size excluding external storage; and
 - b. were open for an average of 3.21 years at the start of 2023.
4. The eight company owned restaurants included in the 2024 data:
 - a. average 2,233 sq. ft. in size excluding external storage; and
 - b. were open for an average of 3.58 years at the start of 2024.

For purposes of Tables A and B, Cost of Goods Sold is defined further below. The median Cost of Goods Sold for the year 2024 represents 30.5% of the median Net Sales. Of this, the cost of poultry accounts for 30.4% of the median Cost of Goods Sold or 9.3% of the median Net Sales. The median Cost of Goods Sold for the year 2023 represents 33.3% of the median Net Sales. Of this, the cost of poultry accounts for 32.2% of the median Cost of Goods Sold or 10.7% of the median Net Sales. The median Cost of Goods Sold for the year 2022 represents 37.0% of the median Net Sales. Of this, the cost of poultry accounts for 35.4% of the median Cost of Goods Sold or 13.1% of the median Net Sales.

The average Cost of Goods Sold for the year 2024 represents 30.0% of the average Net Sales. Of this, the cost of poultry accounts for 31.9% of the average Cost of Goods Sold or 9.6% of the average Net Sales. The average Cost of Goods Sold for the year 2023 represents 33.6% of the average Net Sales. Of this, the cost of poultry accounts for 32.3% of the average Cost of Goods Sold or 10.6% of the average Net Sales. The average Cost of Goods Sold for the year 2022 represents 37.6% of the average Net Sales. Of this, the cost of poultry accounts for 33.7% of the average Cost of Goods Sold or 12.7% of the average Net Sales.

5. Stores included in Tables A and B were those open for the full measuring year. We did not include two non-traditional locations operated inside Levi's Stadium in Santa Clara and inside Cal Memorial Stadium in Berkeley nor did we include ghost kitchens. Based upon the Gross Sales of the company-owned restaurants, we have included in Tables A and B Table 2 imputed Royalty Fees, and incremental Marketing Fees and Technology Fees that a franchisee would

incur, which the company-owned restaurants did not incur. For purposes of this Item 19, we did not have any franchisees as of December 31, 2024 and we have no reasonable basis to conclude that there will be material financial and operational differences between the company owned restaurants and operational franchised outlets, other than the Royalty Fees, Marketing Fees and Technology Fees that a franchisee would incur.

6. Gross Sales, promotions, and net sales data, as well as data about controllables, marketing, and occupancy cost provide only a part of the information that you will need to evaluate the franchise opportunity. We urge you to carefully consider not just these figures but also the information that you independently verify and develop about the costs that you are likely to incur in your own setting. Among the additional categories of expense that you may incur are franchisee compensation over and above that earned from the operations of the business (such as a salary that you may draw); employee benefits (such as health, vacation and pension plan contributions, none of which are included in the tables); debt service; insurance; facility and property maintenance, reserves for future maintenance; business and regulatory fees and licenses; ongoing and supplemental training expenses; recruitment expenses; legal and accounting fees; and bookkeeping and other professional services. As used in the tables above:
 - a. "Cost of Goods Sold" expenses include poultry, produce, dry goods, potatoes, paper and packaging, cooking oils, beverages, and other ingredients. Cost of Goods Sold includes shipping of the aforementioned items to each restaurant. Cost of Goods Sold is reduced by the food cost of any promotional activity which is added to marketing expense.
 - b. "Cost of Labor" expenses include general manager salary, bonus, and vacation; restaurant manager (assistant manager) hourly wages and bonus, team member wages, payroll taxes, workers compensation, employer portion of benefits, and employee meals.
 - c. "Controllable" expenses include cleaning supplies, paper supplies, office supplies, operating supplies, membership/dues, uniforms, linen, contract, cleaning, landscaping, music, extermination, delivery/catering fees, repair and maintenance, utilities, travel and entertainment, auto related expenses, cash over/short, credit card fees, and security costs.
 - d. "Gross Sales" as used in this table are the same as Net Sales (as defined in Item 6 above) except that here, Gross Sales do not exclude discounts and promotions.
 - e. "Occupancy expenses" include base and percentage rent, equipment rental, property insurance, licenses and fees, and property taxes, but excludes all depreciation.
 - f. "Technology fees" includes the fees listed in Item 6 that are not already included in the financial performance information of this disclosure document plus an additional \$572 a month that a franchisee will have to pay to vendors. This amount may increase in the future.
7. Written substantiation of the data used in preparing the information in this Item 19 will be made available to you upon reasonable request.

8. Some Stores have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.

Other than the preceding financial performance representation, Starbird Franchising LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Aaron Noveshen at Starbird Franchising LLC, 75 Oak Grove Street, San Francisco, CA 94107 (tel: 415.728.9008), the Federal Trade Commission, and the appropriate state regulatory agencies.

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Table 1:
System wide Outlet Summary for 2022 to 2024 (Notes 1 through 5)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised				
	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned				
	2022	5	7	+2
	2023	7	8	+1
	2024	8	13	+5
Total Outlets	2021	4	5	+1
	2022	5	7	+2
	2023	7	8	+1
	2024	8	13	+5

Notes for Tables 1-5 in this Item 20:

- (1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.
- (2) States not listed had no activity.
- (3) We did not begin to offer franchises until May 2022.
- (4) The number of company-owned outlets does not include the ghost kitchens that we operate or the outlets we operate inside stadiums.
- (5) This Item 20 does not include one non-traditional licensed unit in California. In January 2019, our parent entity, Chicken Coup LLC, entered into a license agreement with a licensee to operate a non-traditional Starbird restaurant in Terminal 1 at the San Francisco International Airport, located in San Francisco, California, which is similar in many respects to the type of business we now franchise. As of December 31, 2024, this licensee is operating a Starbird restaurant in Terminal 1 at the San Francisco International Airport. See Exhibit I. Chicken Coup LLC no longer offers license agreements or grants any rights to licensees to operate Starbird restaurants. The license agreement was assigned to us effective August 2023 and we assumed and agreed to perform all obligations owed to the licensee under the license agreement.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for 2022 to 2024 (Note 1)

State (Note 2)	Year	Number of Transfers
All States		
	2022	0
	2023	0
	2024	0
Total		
	2022	0
	2023	0
	2024	0

Table 3:
Status of Franchised Outlets For 2022 to 2024 (Note 1)

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States								
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Totals								
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table 4:
Status of Company-Owned Outlets
for 2022 to 2024 (Notes 1 and 2)

State (Note 3)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California							
	2022	5	2	0	0	0	7
	2023	7	1	0	0	0	8
	2024	8	5	0	0	0	13
Totals							
	2022	5	2	0	0	0	7
	2023	7	1	0	0	0	8
	2024	8	5	0	0	0	13

Table 5:
Projected Openings as of December 31, 2024

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	0	2
Colorado	1	1	0
Utah	1	1	0
Washington	1	1	0
Total	3	3	2

The names, addresses, and telephone numbers of our franchisees and developers as of our fiscal year ending December 31, 2024 are listed in Exhibit H.

The name and last known home address and telephone number of every one of our franchisees and developers who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during one-year period ending December 31, 2024, or who has not communicated with us within ten weeks of the date of this disclosure document, are also listed in Exhibit I. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us.

Item 21

Financial Statements

Attached are our audited financial statements as of December 31, 2024, December 31, 2023 and December 31, 2022 (see Exhibit G to this disclosure document).

Our fiscal years end on December 31st each year.

Item 22

Contracts

Exhibit A	Franchise Agreement with Exhibits A. Data Sheet B. Guarantee, Indemnification, & Acknowledgements C. List of Principals D. ACH – Authorization Agreement for Direct Debit E. ADA Certification F. Sample Form of Non-Disclosure & Non-Competition Agreement G. Site Selection Addendum H. Lease Rider I. Index to Defined Terms
Exhibit B	Development Agreement with Exhibits A. Data Sheet B. Guarantee, Indemnification, & Acknowledgements C. List of Principals D. Form of Franchise Agreement
Exhibit E	Form of General Release
Exhibit H	State-Specific Addenda

Item 23

Receipts

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



Starbird Franchising LLC
Starbird Chicken
Franchise Agreement

**Starbird Chicken
Franchise Agreement**

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Exhibits:

A	Data Sheet	E	ADA Certification
B	Guarantee, Indemnification, and Acknowledgement	F	Sample Form of Non-Disclosure and Non-Competition Agreement
C	List of Principals	G	Site Selection Addendum
D	ACH - Authorization Agreement for Prearranged Payments (Direct Debits)	H	Lease Rider
		I	Index to Defined Terms

Starbird Chicken Franchise Agreement

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the date that we have indicated on the signature page of this Agreement (the “**Effective Date**”) by and between:

- STARBIRD FRANCHISING LLC, a Delaware limited liability company with its principal place of business at 75 Oak Grove Street, San Francisco, California 94107 (“**we**”, “**us**”, “**our**”, or the “**Franchisor**”);
- _____, a [resident of] [corporation organized in] [limited liability company organized in] the State of _____ and having offices at _____ (“**you**” or the “**Franchisee**”).

Introduction

*We operate and grant franchises for “Starbird Chicken” restaurants, operating in buildings that feature our interior and/or exterior designs and kitchens, and which also feature our Products (each a “**Restaurant**”). Restaurants specialize in the retail sale of chicken served as tenders, salads, sandwiches, tacos, and wings, as well as beverages, distinctive branding, and other products that we may periodically specify and/or approve for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the “**Products**”). The services that we specify and/or approve that are associated with offering Products to consumers are referred to as the “**Services**”.*

*Among the distinguishing characteristics of a Restaurant are that it operates under our “Starbird Chicken” System. Our System includes (among other things): Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the “**System**”).*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark “STARBIRD CHICKEN” and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the “STARBIRD CHICKEN” mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our “**Proprietary Marks**”). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System’s standards of quality, cleanliness, appearance, and service.*

We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Restaurant, using the same brand and Proprietary Marks as other independent businesses that operate other Restaurants under the System (including some operated by our affiliates). We will not operate your Restaurant for you, although we have (and will continue) to set standards for Restaurants that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your Restaurant according to our brand standards.

You have asked to enter into the business of operating a Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we

provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Restaurant under the System (the “**Franchised Business**”);

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location.* The street address of the location for the Franchised Business under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the “**Accepted Location.**”

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet accepted that location in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the “**Site Selection Addendum,**” attached as Exhibit G to this Agreement) at the same time as you sign this Agreement; and

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written acceptance for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written acceptance and in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant, condition, and/or to withhold acceptance of the Accepted Location under this Section 1.2. You agree that our review and acceptance of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration commitments that we have made to other franchisees, licensees, Lessors, real estate developers, and other parties relating to the proximity of a new Restaurant to their establishment. If you wish to relocate, then you must pay us a

relocation fee of Five Thousand Dollars (\$5,000) and you also must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the “**Relocation Expenses**”). The parties must also sign an agreement to memorialize and implement the relocation, which will include, among other things, general releases. The parties will also reconcile the Relocation Expenses within thirty (30) days after you have reopened your Restaurant at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

- 1.3 *Protected Area.* During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Restaurant within the area that is specified as your “**Protected Area**,” in the Data Addendum (Exhibit A), provided that you are in compliance with the terms of this Agreement (and also subject to Sections 1.4 through 1.7 below).
- 1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):
 - 1.4.1 We have the right to establish, and franchise others to establish, Restaurants anywhere outside the Protected Area;
 - 1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located (but not to be operated as a “Starbird Chicken” Restaurant inside the Protected Area);
 - 1.4.3 We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;
 - 1.4.4 We have the right to operate (and license other parties to operate) remote, dark, ghost, and all other kinds of off-premises kitchens (other than “Starbird” Restaurant off-premises kitchens) anywhere, except as provided in Section 1.6 below;
 - 1.4.5 We have the right to conduct and/or authorize third parties to operate and sell products to customers anywhere using one or more of the Virtual Brands (including via catering and delivery service), except as provided in Sections 1.6 and 1.8 below.
 - 1.4.6 We have the right to conduct and/or authorize catering and delivery service anywhere, so long as those services are not targeted to customers within the Protected Area except as provided in Section 1.6 below.

- 1.4.7 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a “Starbird Chicken” Restaurant inside the Protected Area); and
- 1.4.8 We have the right to market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e-commerce), anywhere (but not from a “Starbird Chicken” Restaurant operating inside the Protected Area).
- 1.4.9 Definitions.
 - 1.4.9.1 The term “**Captive Market Location**” is agreed to include, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).
 - 1.4.9.2 The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.
 - 1.4.9.3 The term “**Virtual Brands**” means one or more brands that we will permit you to use to offer products to customers (currently including “Starbird Wings”, “Starbird Salads”, “Starbird Bowls”, and “Gardenbird”), using a variety of platforms, including in-person service, take-away service, Catering, and/or Delivery

1.5 *Limits on Where You May Operate.*

- 1.5.1 You may offer and sell the Products only: **(a)** to customers of the Franchised Business; and **(b)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below).
- 1.5.2 You agree not to offer or sell any products or services (including the Products) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).
- 1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:
 - 1.5.3.1 Face to face, for consumption on the Restaurant premises;
 - 1.5.3.2 Face to face, for personal carry-out consumption; and/or
 - 1.5.3.3 As provided in Section 1.6 below.
- 1.5.4 You further understand that we will not prohibit other Restaurants or food service business (whether owned or franchised by us or by our affiliates) from delivering

Products to customers at any location, whether inside or outside of the Protected Area. We have the right but not the obligation to geo-target and geo-fence Delivery and Catering services, and you recognize that we cannot predict, stop, or guarantee that orders will always observe boundaries or that other parties (such as TPD Providers) will do so.

- 1.6 *Delivery and Catering.* We have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including Delivery and Catering activities. We will consider various factors in determining whether to approve proposed Delivery and/or Catering from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:
- 1.6.1 You agree not to engage in Delivery and/or Catering services, whether inside or outside of the Protected Area, unless you have obtained our prior written consent as to the proposed Delivery vendors and/or Catering orders.
 - 1.6.2 Any Delivery or Catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual or otherwise in writing. If we accept any one or more of your proposals to engage in Catering or Delivery, that will not mean that we have accepted in advance or waived our right to disapprove (or condition) any ongoing or additional Catering or Delivery activities.
 - 1.6.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own, and/or in conjunction with one or more outside vendors (the “**Catering Program**”). If we establish a Catering Program, you agree to participate and to pay the related fees and costs.
 - 1.6.4 We have the right to require that you conduct Delivery only through Restaurant staff and/or approved third-party Delivery vendors (“**TPD Providers**”). We have the right at all times to approve or disapprove of any such Delivery services, TPD Providers, and other related vendors (including aggregators), including the arrangements that you propose to make with any TPD Provider. You must comply with the requirements necessary to participate in TPD Provider program, including marketing and promotional arrangements.
 - 1.6.5 You agree to use packaging and other non-food items that comply with any standards and specifications that we issue in connection with Delivery and Catering orders.
 - 1.6.6 All Delivery and Catering sales that you make in any manner will be covered by the requirements of this Agreement, including the requirement to include those sales as part of your Franchised Business’ Net Sales (see Section 4.2.2 below).
 - 1.6.7 You may not operate (nor authorize any other party to operate) a remote food preparation facility and/or kitchen (including cloud kitchens, dark kitchens, ghost kitchens, and otherwise) away from the premises of your Restaurant.
- 1.7 *Other Brands.* You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, as a franchisee, or otherwise) in addition to the “Starbird Chicken” brand) and that we may acquire and operate businesses and other brands (or be acquired by a company that

operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

- 1.8 *Virtual Brands.* We have the right to develop and offer you the opportunity to use the Virtual Brands to offer and sell products in your Protected Area, but we are not obligated to do so.

1.8.1 If we offer you the right to use one or more of the Virtual Brands to offer and sell products in your Protected Area, then:

- (a) you would be granted the opportunity to prepare and offers products using the designated Virtual Brands to customers in your Protect Territory under the terms of Section 1.5 above concerning Delivery and/or Catering, in accordance with our system and requirements for doing so;
- (b) we will retain the sole right to adjust, change, and/or revoke permission for your use of any one or more of the Virtual Brands;
- (c) we will not charge an additional initial fee for your use of a Virtual Brand (but all such sales will be included within your Franchised Business' Net Sales); and
- (d) all sales made in connection with Virtual Brands must be conducted in accordance with the terms of this Agreement, the Brand Manuals, and our other requirements that we periodically set for the use of (and offerings under) those Virtual Brands.

1.8.2 During any period in which we have granted you the right to use a Virtual Brand, we will not authorize other parties to sell products using those same Virtual Brands in your Protected Area (subject to Section 1.5.4 above).

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire at the earlier of: (a) ten (10) years from the commencement date of the lease for the Franchised Business' premises; and (b) eleven (11) years after the Effective Date.

- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for one (1) additional consecutive successor term of ten (10) years, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before renewal:

2.2.1 You agree to give us written notice of your choice to renew at least nine (9) months before the end of the term of this Agreement (but not more than twelve (12) months before the term expires).

2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Restaurants (as well as the provisions of Section 8.8 below).

2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in compliance

during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.

- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Brand Development Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.
- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term “**entity**” includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee of Twenty Thousand Dollars (\$20,000) or fifty percent (50%) of our then-current initial franchise fee (whichever is greater).
- 2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.10 You must provide us with the financial reports concerning your Franchised Business that we may require, including a current balance sheet and the other information required under Section 12.2.1 below.
- 2.2.11 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.

- 3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).
- 3.3 *Standard Layout and Equipping of a Restaurant.* We will make available to you, at no additional charge, our standard layout, design and image specifications for a Restaurant, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.
- 3.4 *Opening and Additional Assistance.* We may (but are not obligated to) provide a representative to be present at the grand opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).
- 3.5 *Brand Manual.* We will lend to you (or provide you with access to) one (1) copy of our confidential brand manuals and other written instructions relating to the operation of a Restaurant (the “**Brand Manual**”), in the manner and as described in Section 10 below, for your use in solely in connection with the Restaurant during the term of this Agreement.
- 3.6 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.7 *Brand Development Funds.* We will administer the Brand Development Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.8 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written consent to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.
- 3.9 *Assistance.* We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations, as we deem necessary to meet our own standards.
- 3.10 *Services Performed.* You agree that any of our designees, employees, agents, or independent contractors (such as an “area representative”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.11 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with

our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

- 3.12 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the **"Confirmation of Performance"**), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within one (1) week after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same one (1) week period, provide us with written notice specifically describing the obligations that we have not performed. Not later than one (1) week after we complete all the obligations specified in that notice that we agree were unperformed, you agree to execute and deliver the Confirmation of Performance to us. The term "pre-opening obligations" means the obligations we have to you under this Agreement that must be performed before you open your Restaurant.

4 FEES; SALES REPORTING

- 4.1 *Initial Fees.* When you sign this Agreement, you agree to pay us an initial franchise fee of Forty Thousand Dollars (\$40,000) (the **"Initial Franchise Fee"**). The Initial Franchise Fee is not refundable, and is payable in consideration of the services that we provide to you in connection with helping you to establish your new Restaurant.

4.2 Weekly Fees and Sales Reports.

- 4.2.1 For each Week during the term of this Agreement, you agree to: **(a)** pay us a continuing royalty fee equal to five percent (5%) of the Net Sales of the Franchised Business (**"Royalty Fees"** or **"Royalties"**); and **(b)** report to us your Net Sales, in the form and manner that we specify (a **"Sales Report"**), by the Due Date (defined in Section 4.3 below).

4.2.2 As used in this Agreement:

- 4.2.2.1 The term **"Net Sales"** means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit, but excluding: (a) sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities; (b) refunds, discounts, and accommodations reasonably provided to your customers; and (c) meals provided to your staff.

- 4.2.2.2 The term **"Week"** means a calendar week, starting on Monday at one second before 12:00:01 and ending the following Sunday at one second after 11:59:59 pm (all local time at your Restaurant).

- 4.3 *Due Date.* All payments required by Section 4.2 above and under Section 13 below must be made by ACH (as specified below) by 2:00 pm (local time at our offices) on Tuesday of each

Week (the “**Due Date**”), based on the Net Sales of the previous Week. (If the Due Date falls on a federal holiday, then the Due Date shall be the following business day.) In addition, you agree to all of the following:

- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Week.
- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of “ACH - Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.
- 4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.
- 4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Brand Development Fund, the Regional Fund, our affiliates, suppliers, or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.
- 4.4 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate Brand Development Fund does not receive payment due) on or before the due

date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.

- 4.6 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.7 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Net Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.
- 4.8 *Funds.* You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation by the eighteen (18) month anniversary of the Effective Date of this Agreement. **Time is of the essence.**
- 5.2 *Site for the Restaurant.* As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:
- 5.3.1 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). You will always have complete and total decision-making authority over the terms of any lease, sublease, and/or purchase agreement for the site, even if we provide comments, advice, guidance, edits, or any other assistance in any lease, sublease, and/or purchase negotiations, discussions with the Lessors, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement. You agree that: (a) you must decide whether or not the proposed contract is sensible for your business, (b) the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and (c) we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.

- 5.3.2 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and acceptance of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Restaurants).
- 5.3.3 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.
- 5.3.4 We will not review nor may our acceptance be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the “**ADA**”); and you agree that compliance with such laws is and will be your sole responsibility.
- 5.3.5 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written acceptance (subject to Section 5.3.1 above). We have the right to condition our acceptance of the lease, sublease, or purchase agreement (subject to Section 5.3.1 above) upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including that you and the Lessor must execute and deliver to us a lease rider in the form attached to this Agreement as Exhibit H. You also agree:
- 5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;
- 5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location; and
- 5.4.3 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.

- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
 - 5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);
 - 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
 - 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
 - 5.5.5 purchase an opening inventory of ingredients for Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our acceptance, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our acceptance will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written acceptance, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our acceptance of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.
 - 5.6.2 You agree to comply with all Operating Codes, including, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this

Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.

- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

6 OPERATING PARTNER, PERSONNEL, AND TRAINING

6.1 *Operating Partner and Management.*

- 6.1.1 One of the parties that owns an interest in you must serve as your “**Operating Partner**.” The Operating Partner must supervise the operation of the Franchised Business and must own a percentage of the voting and ownership interests in the franchisee entity, unless we have accepted in writing your proposal for the Operating Partner to hold a smaller interest. The Operating Partner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.1.2 In addition to the Operating Partner, you must engage a full-time general manager (a “**General Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business. You must, as well, maintain sufficient managerial personnel to properly and efficiently operated the Franchised Business.
- 6.1.3 The Franchised Business must at all times be under the active full-time management of either Operating Partner or General Manager (who must have successfully completed our initial training program to our satisfaction).

6.2 *Initial Management Training.*

6.2.1 Owners Training. The General Manager must attend and successfully complete, to our satisfaction, the three-week training program that we offer at our Starbird Chicken certified training store in the San Francisco metropolitan area or another location that we specify. The Operating Partner may also attend and successfully complete, to our satisfaction, the owner's training program.

6.2.2 Brand Management Training.

6.2.2.1 The General Manager (and your initial general manager as well as your initial assistant manager) must also attend and successfully complete, to our satisfaction, the brand management training program that we offer at our headquarters or another location that we specify. (Your General Manager will train your subsequently hired general area managers and assistant managers.)

6.2.2.2 You may send up to four (4) individuals to the initial training program to our designated training facilities (which may be in the San Francisco metropolitan area or elsewhere). If you wish to send additional individuals to be trained (including the Operating Partner, General Manager, and Additional Trained Personnel) to the initial training program, you must pay us our then-current discounted training fee.

6.3 *Additional Obligations and Terms Regarding Training.*

6.3.1 If for any reason your Operating Partner and/or General Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Partner or your General Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. If the replacement is the fourth (4th) or any subsequent replacement during the term of this Agreement, then you agree to pay us a discounted training fee in the amount of fifty percent (50%) of our then-current daily training rate for each such person to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Partner, General Manager and Additional Trained Personnel attend such refresher courses, new product launches, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.

6.3.5 Training Costs and Expenses.

- 6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 4.1.1.2, 6.2.2.2, 6.3, 6.4, and 6.5 of this Agreement.
- 6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including the San Francisco metropolitan area or elsewhere.
- 6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.
- 6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.5 *Conventions and Meetings.* You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

7 PURCHASING AND SUPPLY

The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).

7.1 *Input Items.* You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and all other products and services used (or offered for sale) at the Restaurant (together, "**Input Items**") only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Products that you buy from approved suppliers.) In this regard, the parties further agree:

- 7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality

controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).

- 7.1.2 For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).
- 7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product on the Menu or a Service.
- 7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit to us a written request asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.
- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.
- 7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on System-wide

purchases of the Products, equipment, and other items. We have the right to retain those volume discounts, rebates, or incentives to defray our expenses related to seeking, negotiating, and arranging purchasing agreement, or we may contribute some or all of those amounts to the Brand Development Fund and/or National Digital Media Fund.

- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.1.8 You may obtain only the items that we have approved and/or specified from the suppliers that we have approved and/or designated.
- 7.2 *Proprietary Items.* You agree that: **(a)** we have the right to require that certain Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products ("**Proprietary Items**"); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a "Proprietary Item." (At present, our "Mad Spice" mixture is a Proprietary Item.)
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing (for example, USDA Grade A eggs).
- 7.4 *Use of the Marks.* You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.9 below).
- 7.5 *Manufacturing.* You agree not to produce or otherwise manufacture any items in your Restaurant (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other "Starbird Chicken" franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening.* In connection with the opening of the Franchised Business:

- 8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.
- 8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.
- 8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards (including those pertaining to materials, quality of work, signage, decor, paint, and equipment) and we have accepted in writing your proposal to open, which we will not unreasonably withhold.
- 8.2.4 You agree not to open the Franchised Business until the Operating Partner, General Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.
- 8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Staffing.*

- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manual.
- 8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.
- 8.3.3 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interests in them.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.
- 8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose (which includes your agreement not to: **(a)** co-brand or permit any other business to operate at the Accepted Location; **(b)** permit any other party to use your Accepted Location as a food preparation facility and/or kitchen (including cloud kitchens, dark kitchens, ghost kitchens, and otherwise).
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.

- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, “**Operating Codes**” means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Products, construction and design of the Restaurant, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).
- 8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.
- 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.
- 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.
- 8.8 *Your Franchised Business:*
- 8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8.1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Sections 8.8.2 and 8.8.3 below.
- 8.8.2 *Minor Refurbishment.* You also agree to complete a minor refurbishment as we may reasonably require, which will not be more than once every three (3) years. In this regard, we will not require you to expend on a minor remodeling an amount that is more than twenty-five percent (25%) of the then-current maximum build-out cost for a new Restaurant (as disclosed in Item 7 of our then-current franchise disclosure document).
- 8.8.3 *Major Remodeling.* In addition to Sections 8.8.1 and 8.8.2 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, “**Major Remodeling**”). In this regard, we will not require you to expend

on a Major Remodeling an amount that is more than fifty percent (50%) of the then-current maximum build-out cost for a new Restaurant (as disclosed in Item 7 of our then-current franchise disclosure document).

8.8.3.1 You will not have to conduct a Major Remodeling more than once every seven (7) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.8.3.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).

8.9 *Use of the Marks.* You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 *Depending on your type of Entity:*

8.10.1 *Corporation.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments to them; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments to them; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

- 8.10.4 *Guarantees.* If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.
- 8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “customer survey,” “food safety,” and/or similar quality-control and evaluation programs with respect to Restaurants. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices.*
- 8.12.1 We may periodically provide suggested retail pricing, however (subject to Section 8.12.2 below), you will always have the right to set your own prices.
- 8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.
- 8.13 *Menus.* You must order and pay for menus for your Restaurant in accordance with our standards and specifications for such menus.
- 8.14 *Environmental Matters.* Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.
- 8.15 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products

without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

- 8.16 *Suspending Operation.* You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or products or services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to materially comply with applicable laws or regulations; and/or **(c)** you are in material default of your obligations under this Agreement. In the event of such a suspension of operations, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.16 does not limit or restrict our other rights under this Agreement.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
 - 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
 - 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “Starbird Chicken” without prefix or suffix (except with our prior written approval).
 - 9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).
 - 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.
 - 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
 - 9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page,

or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.

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

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 Defense and Costs:

(a) *If You Used the Marks in Accordance with this Agreement*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

(b) *If You Used the Marks But Not in Accordance with this Agreement*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.2.10 The Proprietary Marks as used in this Agreement include the Virtual Brands (if and to the extent that we permit you to use the Virtual Brands).

9.3 *Your Acknowledgements.* You agree that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

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

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 **CONFIDENTIAL BRAND MANUAL**

10.1 *You Agree to Abide by the Brand Manual.* In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand

Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

- 10.2 *Format of the Brand Manual.* We will have the right to provide the Brand Manual in any one or more formats that we determine are appropriate (including making some or all of the Brand Manual available to you only in digital form and/or in other written or printed form), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.
- 10.3 *We Own the Brand Manual.* The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.
- 10.4 *Confidentiality and Use of the Brand Manual.*
- 10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.
- 10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.
- 10.5 *You Agree to Treat Brand Manual as Confidential.* You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.
- 10.6 *Which Copy of the Brand Manual Controls.* You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.
- 10.7 *Revisions to the Brand Manual.* We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade

names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 *Confidentiality.*

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach.* You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports.*

- 12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.
- 12.1.2 With respect to the Franchised Business, you agree to maintain for at least five (5) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.
- 12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us.
- 12.1.3.1 We have the right (among other things) to require that you use only an approved (a) bookkeeping service; (b) payroll processing vendor; and/or (c) an approved independent certified public accountant.
- 12.1.3.2 All of the records required under this Section 12.1 and in Sections 12.2 and 12.3 below must be maintained in digital form, accessible to us and/or our designee (for example, our accountants) remotely and in that digital form, and using a software program or online site (such as "QuickBooks") that we approve, so that the data can be reviewed and/or downloaded to our computer system in a compatible and comparable manner.
- 12.1.3.3 You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program.
- 12.1.3.4 Nothing in this Agreement requires your CPA to share with us its advice or guidance to you.
- 12.1.4 Each Week, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding Week. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our

Required Software or otherwise, and in a manner that we designate so that it is compatible with our computer systems) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements.*

- 12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.
- 12.2.2 In addition, during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each Week; **(b)** reports of those income and expense items of the Franchised Business for the Week that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us **(x)** the materials required by Sections 12.2.2(a) and 12.2.2(b) above within fifteen (15) days after the end of each fiscal quarter; and **(y)** the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.
- 12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.
- 12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days after you file those but not more than one hundred and eighty (180) days after each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us.
- 12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the

inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

- 12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.
- 12.4 *PCI Compliance and Credit Cards.* With respect to processing customer payments by credit and debit cards, you agree to do all of the following:
- 12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.
- 12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "**Payment Vendors**" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").
- 12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
- 12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
- 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
- 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
- 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards

that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

- 12.5 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.
- 12.6 *Operational Inspections.* In addition to the provisions of Section 12.5 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 MARKETING

13.1 *Marketing Contribution.*

- 13.1.1 You agree to contribute or spend an amount equal to three percent (3%) of your Franchised Business' Net Sales (the "**Marketing Contribution**"), allocated and due as provided in Section 13.1.3 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.6 below).
- 13.1.2 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** the brand development fund for the U.S. (the "**Brand Development Fund**"), if established as noted below; **(b)** nationally targeted digital marketing; and **(c)** local promotional expenditures, consisting of local store

marketing and promotion (as provided in Section 13.5 below) and/or contributions to a Regional Fund (if one is established for your area, as provided in Section 13.4 below).

13.1.3 We currently allocate the Marketing Contribution as follows:

0.5% of Net Sales	To be contributed each Week to the Brand Development Fund;
1.5% of Net Sales	To be contributed each Week to the National Digital Media Fund (as defined in Section 13.2.3 below)
1.0% of Net Sales	To be spent by you on a quarterly basis on local promotional expenditures, as specified in Sections 13.3 through 13.5 below.

13.1.4 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that Week.

13.1.5 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Brand Development Fund and National Digital Media Fund.* We have the right (but not the obligation) to establish, maintain, and administer the Brand Development Fund and National Digital Media Fund. All of the following provisions will apply to the Brand Development Fund and the National Digital Media Fund:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Brand Development Fund and the National Digital Media Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Brand Development Fund and the National Digital Media Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund and the National Digital Media Fund.

13.2.2 The Brand Development Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System. The Brand Development Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System.

13.2.3 The "**National Digital Media Fund**" will be used to cover the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, digital and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeted online and social marketing, search engine optimization (SEO), and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising or

public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).

- 13.2.4 All sums you pay to the Brand Development Fund and the National Digital Media Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Brand Development Fund and marketing programs for franchisees and the System. The Brand Development Fund and the National Digital Media Fund, and their earnings, will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Brand Development Fund and the National Digital Media Fund.
- 13.2.5 The Brand Development Fund and the National Digital Media Fund are not and will not be our assets. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Brand Development Fund and the National Digital Media Fund.
- 13.2.6 You agree to contribute the portion of the Marketing Contribution allocated to the Brand Development Fund and the National Digital Media Fund in the manner and at the times that are specified above in Section 4.3.
- 13.2.7 Although once established the Brand Development Fund and the National Digital Media Fund are intended to be of perpetual duration, we maintain the right to terminate the Brand Development Fund and/or National Digital Media Fund. The Brand Development Fund (as well as the National Digital Media Fund) will not be terminated, however, until all monies in those funds have been expended for marketing purposes.
- 13.2.8 We will not use the Brand Development Fund or the National Digital Media Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.
- 13.3 *Local Promotional Expenditures.* You will be required to expend funds for local store marketing and/or contribute funds to a regional fund, as specified in Sections 13.4 and 13.5 below.
- 13.4 *Regional Fund.* We have the right (but not the obligation) to designate any geographical area for purposes of establishing a cooperative Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. If we establish a Regional Fund, then all of the following provisions will apply to that Regional Fund:

- 13.4.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing. Members of each Regional Fund will be responsible for administering the Regional Fund, subject to our approval. Each Regional Fund will operate pursuant to written governing documents that we have approved in advance, which may be revised from time to time and will be made available for your review.
 - 13.4.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
 - 13.4.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.9 below.
 - 13.4.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.
 - 13.4.5 Voting will be on the basis of one vote per full-service Restaurant, and any full-service Restaurants that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised Restaurant in the Regional Fund shall also have one vote (no matter how many people own the franchisee).
 - 13.4.6 A majority of the Restaurant owners in the Regional Fund may vote to increase the amount of each Restaurant owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each Restaurant's Net Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Restaurant's contribution as provided in this section.
 - 13.4.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- 13.5 *Local store marketing.* Local store marketing will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local store marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:
- 13.5.1 Salaries and expenses of your employees (however salaries for attendance at marketing meetings or activities may be included, at your staff's normal wage rate excluding benefits and other compensation); and/or
 - 13.5.2 Charitable, political, or other contributions or donations.

- 13.6 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you agree to spend at least the amount designated on the Data Sheet attached as Exhibit A for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin ninety (90) days before the scheduled commencement date for the Franchised Business and be completed within ninety (90) days after the Franchised Business opens, and is subject to the provisions of Section 13.9 below. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food give-aways).
- 13.7 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local store marketing.
- 13.8 *Standards.* All of your local store marketing must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.9 below.
- 13.9 *Our Review and Right to Approve All Proposed Marketing.* For all proposed local store marketing, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval, which we agree to provide within fourteen (14) business days. If you (or the Regional Fund) have not received our written approval within fourteen (14) business days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to promptly sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.10 *Rebates.* You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.11 *Considerations as to Charitable Efforts.* You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

- 13.12 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local store marketing, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY PLATFORM

- 14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, and in accordance with our standards, including:

- a. back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us;
- b. point-of-sale (POS) (defined in Section 14.6 below);
- c. physical, electronic, and other security systems and measures;
- d. printers and other peripheral devices;
- e. archival back-up systems;
- f. internet access mode (such as form of telecommunications connection) and speed;
- g. technology used to enhance and evaluate the customer experience (including digital ordering devices, kiosk, touchpads, and the like);
- h. digital and virtual menu and display boards and related technology, hardware, software, and firmware;
- i. front-of-the-house WiFi and other connectivity service for customers;
- j. cloud-based back-end management systems and storage sites;
- k. in-shop music systems under Section 8.4.7 above; and
- l. consumer-marketing oriented technology (including Customer Apps, affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites)

(collectively, all of the above in this Section 14.1.1 are referred to as the "**Computer System**").

- 14.1.2 We have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** programs, computer software, and other software (e.g., accounting system software) that you must use in connection with the Computer System (including

applications, technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards and related items that are required under Section 14.4 below.

- 14.1.3 You agree to install, use, maintain, update, and replace (as needed) all elements of the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System. These fees may include, among other things, the current amounts that we or a third party vendor then charge for required items including cloud services, inventory and reporting services, document management software, office operational software, file sharing software, franchise communications systems, merchant accounts, learning/ management software and platforms, customer service software, customer experience devices (such as ordering kiosks) and related software, customer loyalty platforms, CRM platforms, remote support and help desk options, and digital ordering and delivery platforms. You also must pay the charges required by Payment Vendors and as those required concerning Customer Apps under Section 14.4 below.
- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**") (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).
- 14.1.7 You agree to pay us a technology fee in our then-current amount, at the times and in the manner that we require. Some of these charges will be payable to us for services that we render and some will be charged because certain vendors require that we pay them directly. The list of vendors that make that request, and the kind and amount of fees that fall into that category, will charge periodically. You will also be charged certain fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.

14.2 *Data.*

- 14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System, whether or not uploaded to our system from your system and/or downloaded from your system to our system, or data uploaded, downloaded, or created using any artificial intelligence program is and will be owned exclusively by us, and that we will have the right to access, download,

and use that data in any manner that we deem appropriate without compensation to you.

- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.
- 14.2.5 For the limited purpose of this Section 14.2, references to “data” exclude consumers’ credit card and/or other payment information.
- 14.3 *Data Requirements and Usage.* We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:
 - 14.3.1 You agree to abide by all applicable laws pertaining to the data (including those pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information) (“**Privacy Laws**”).
 - 14.3.2 You agree to also comply with any standards and policies that we may issue (without any obligation to do so) pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of the Privacy Laws; **(b)** immediately give us written notice of that conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
 - 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
 - 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.
- 14.4 *Gift Cards and Incentive Programs.* You agree to offer for sale, participate in, and honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate,

as well as mobile apps, mobile payment, and/or other customer affinity applications; together, "**Customer Apps**"; and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by our written standards with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to participate in, sell, and process Customer Apps, and to contact with Customer App vendors (including suppliers of gift cards and gift card processing services), as we may specify in writing in the Brand Manual or otherwise. You also agree to pay the transaction fees that the vendors of the gift card system may charge for these services and devices. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.

- 14.5 *Extranet.* You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.
- 14.6 *No Separate Digital Sites.* Except to the extent that we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including current and future functions such as the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Yelp, Instagram, TikTok, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:
- 14.6.1 You agree that you will not establish or use any Digital Site without our prior written approval.
- 14.6.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.9 above.
- 14.6.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

- 14.6.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 14.6.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
- 14.6.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
- 14.6.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 14.6.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.7 *POS Systems.* You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing (taken together, “**POS Systems**”), which shall be considered part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Net Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. You agree to at all times maintain a continuous high-speed connection to the Internet to send and receive POS data to us.
- 14.8 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as “CASL”). (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)
- 14.9 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and

ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

- 14.10 *Telephone Service.* You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.
- 14.11 *Changes.* You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.
- 14.12 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, **“Official Senders”**) to you during the term of this Agreement.
- 14.12.1 In order to implement the terms of this Section 14.12, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.
- 14.12.2 The consent given in this Section 14.12 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.
- 14.12.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as “jane.jones@SBfranchisee.com”) (the **“Permitted E-mail Address”**) in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15 INSURANCE

15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

- 15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of Two Million Dollars (\$2,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.
- 15.1.2 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.
- 15.1.3 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the greater of Five Hundred Thousand Dollars (\$500,000), statutory requirements, and the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.
- 15.1.4 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars (\$500,000) combined single limit.
- 15.1.5 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit.
- 15.1.6 Foodborne illness coverage (subject to Section 15.2 below) shall be included within the general liability coverage noted in Section 15.1.1 above, with coverage of at least

One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage (with no virus exclusions).

- 15.1.7 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than One Million Dollars (\$1,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.8 Property insurance (subject to Section 15.2 below) providing coverage for direct physical loss or damage to real and personal property in minimum coverage sufficient to provide full replacement cost value for the building and its contents for all risk perils, including the perils of flood and earthquake. Appropriate coverage must also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least Twenty-Five Thousand Dollars (\$25,000), off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include wind or named storm deductible at 2% with Ten Thousand Dollars (\$10,000) minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.
- 15.1.9 Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy will be considered primary (if this is not already included within the general liability coverage).
- 15.1.10 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).
- 15.1.11 All coverages must be written with no coinsurance penalty.
- 15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:
 - 15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.
 - 15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
 - 15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.

- 15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.
- 15.3 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.
- 15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Restaurants that you (and/or your affiliates) operate under the System.
- 15.5 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that those parties' interests will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.6 *Required Coverages are Minimums.* You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.
- 15.7 *Obtaining Coverage.* If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.
- 16 TRANSFER OF INTEREST**
- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and/or all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You

represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.

16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any interest (direct, indirect, and/or beneficial) in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.

16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.

16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.

16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Restaurant (such as sales reports) (although we will have the right not to provide any or all such information).

16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your rights and/or obligations under this Agreement, any of your material assets, and/or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.
- 16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.3 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Operating Partner, and those of the transferee's Operating Partner, General Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be

Twenty Thousand Five-Hundred Dollars (\$20,000) or fifty percent (50%) of our then-current initial franchise fee charged to new Restaurant franchisees (whichever is more). If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer.

16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after

the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.

- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Partner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require

that the offering materials contain a written statement that we require concerning the limitations stated above.

- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing, documenting, and discussing the proposed offering with you and your representatives.
- 16.11.4 You agree to give us written notice at least thirty (30) days before starting any offering or other transaction described in this Section 16.11. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

- 17.1 *Automatic with no notice and no opportunity to cure.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

- 17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);
- 17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our consent to relocate and/or reconstruct the premises, which we will not unreasonably withhold, subject to Section 1.2.3 above);
- 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interests in them;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.16 above;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;
- 17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 17.2.10 If you commit three (3) or more material defaults under this Agreement in any three (3) year period, whether or not each such default has been cured after notice;
- 17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the Restaurant that is not a Retail Product or a Service;
- 17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or
- 17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit

(whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure.*

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.

17.6 *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

- 17.7 *Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

- 18.1 *Cease Operation.* You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the marks "Starbird Chicken" as well as any other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the above, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "Starbird Chicken" as well as any other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or the building in which the Restaurant is operated.
- 18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Restaurants, and must make such specific additional changes to the premises that we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.
- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making

or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.

- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.
- 18.9 *Return Confidential Information.* You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Lost Future Royalties.* If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, then, in addition to all other amounts due to us under this Agreement, you agree to pay to us, as liquidated damages, an amount calculated as follows: **(a)** the average of your monthly Royalty Fees that are due under this Agreement for the twenty-four (24) months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than twenty-four (24) months, the average of your monthly Royalty Fees for the number of months you have

operated the Shop); **(b)** multiplied by the lesser of twenty-four (24) or the number of months remaining in the then-current term of this Agreement under Section 2 above.

18.12 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

18.13 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Partner and/or General Manager) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.

19.2 *Understandings.*

19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term “**Competitive Business**” is agreed to mean any foodservice business that specializes in offering, serving, and/or selling chicken-based food items as more than twenty-five percent (25%) of its total offerings and/or total revenue.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or customer of any Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any interest whatsoever in, or render services or give advice to, any Competitive Business.

- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only (a) at the Accepted Location; (b) within two (2) miles of the Accepted Location; and (c) within two (2) miles of any other “Starbird Chicken” Restaurant business that is then-currently operated, was operated (within the past year), and/or planned elsewhere in the United States. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a franchise agreement in good standing with us or one of our affiliates.
- 19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after (a) the expiration of this Agreement, (b) the termination of this Agreement, and/or (c) a transfer as contemplated in Section 16 above:
- 19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and
- 19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 19.6 *Non-Compliance.* Any time during which you do not comply with the requirements of this Section 19, whether that non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Partner, General Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.
- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including

reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You agree that if you violate this Section 19, that would result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Code is in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any

accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 *Independent Contractor Relationship.* The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 *Indemnification.*

21.4.1 You agree to indemnify, defend, and hold harmless each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and **(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence, willful misconduct, and/or liabilities caused by a Franchisor Party's acts or omissions amounting to strict liability or fraud.

21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that

in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions.* As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 **“Claim”** means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Restaurant, sale of Products or Services, events occurring at the Restaurant, data theft or other data-related event, or otherwise, whether asserted by a customer, vendor, employee, or otherwise), a violation of any Operating Code, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarify, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 **“Expenses”** includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 **“Franchisor Parties”** means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

21.4.4 We agree to indemnify you with respect to your use of the Proprietary Marks as provided in Section 9.2.9.2(a) above.

22 **FORCE MAJEURE**

22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** public health emergencies, epidemics, pandemics, hurricanes, tornadoes, environmental emergencies, strikes, lockouts, labor actions, boycotts, floods, fires, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business. You agree to abide by any brand standards that we may establish in connection with continuing to operate, reopening, and other matters relating to operations that are impacted by a Force Majeure event.

22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs,

any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

- 23.1 *Request for Approval.* Whenever this Agreement requires our prior approval, acceptance, and/or consent, you agree to make a timely written request to us therefor, and in each instance, our approval, acceptance, or consent will be valid only if it is provided in writing.
- 23.2 *No Waivers.* The parties agree that no delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement; and no custom or practice by the parties at variance with the terms of this Agreement; will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. The parties further agree that: (a) if we accept late payments from you on any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement; and (d) no course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

- 24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.
- 24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.
- 24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, statements, and representations. However, nothing in this Agreement or any other document is meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document (“**FDD**”) (including its exhibits).
- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either

party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 26.2 *Severability.* Except as expressly provided to the contrary in this Agreement, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".
- 26.6 *Interest.* The parties agree that when used in this Agreement, the term "interest in you" (and words to that effect) mean any interest whatsoever in the Franchisee, whether direct, indirect, and/or beneficial.
- 26.7 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.8 *Expenses.* Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.9 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. The parties agree that the State of California has a deep body of law that will aid in interpreting and

understanding the terms of this Agreement and that they therefore have agreed that this Agreement will be interpreted and construed exclusively under the laws of the State of California (which laws will prevail in the event of any conflict of law, without applying California choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under California law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of California (or any other state) that would not otherwise apply without the words of this Section 27.1.

- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over San Francisco, California. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to San Francisco, California.
- 27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 27.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE

COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.

27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).

27.9 *Payment of Legal Fees.* In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded to such party.

28 ACKNOWLEDGMENTS

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

28.2 *Different Franchise Offerings to Others.* You agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.3 *Your Independence.* You agree that:

28.3.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);

28.3.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.3.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.3.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

28.3.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

- 28.4 **General Release.** If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement. This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.*

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement as of the Effective Date (as written below).

STARBIRD FRANCHISING LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

By: _____

Name: _____

Title: _____

Address for Notices:

Address for Notices:

Starbird Franchising LLC

Telephone: _____

Fax: _____

Attn: _____

E-mail: _____

Telephone: _____

Fax: _____

Attn: _____

E-mail: _____

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross- Reference	Item
1	1.2	<p>The Accepted Location under this Agreement will be:</p> <p>_____</p> <p>_____</p> <p>.</p>
2	1.3	<p>Subject to Section 1.3 of this Agreement, the Protected Area under this Agreement is:</p> <p><input type="checkbox"/> A circle with a radius of _____ (____) miles and its center at the front door of the Restaurant (subject to 1.3 of this Agreement).</p> <p><i>or</i></p> <p><input type="checkbox"/> The area within the following boundaries:</p> <p>To the east: _____</p> <p>To the south: _____</p> <p>To the west: _____</p> <p>To the north: _____</p>
3	13.5	<p>Your minimum expenditure on the Grand Opening Marketing Program will be \$_____.</p>

Initials

Franchisee

Franchisor

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Starbird Franchising LLC ("**Franchisor**") to sign the Starbird Chicken Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202__ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the

"Starbird Chicken" marks) or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of California, and that in the event of any conflict of law, California law will prevail (without applying California conflict of law rules).

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

(signed in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(signed in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(signed in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

Franchisee

Franchisor

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)**

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Starbird Franchising LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

Depository/Bank Name

Branch Name

City

State

Zip Code

Bank Transit/ABA Number

Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Starbird Franchising LLC ("**Franchisor**" or "**us**") and _____ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated _____, 202____ (the "**Franchise Agreement**") for the operation of a Franchised Business at (the "**Franchised Business**").

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

Franchisee:

By:_____

Printed Name:_____

Title:_____

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT F-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
*(to be signed by franchisee with its
executive/management staff)*

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made on _____, 202____, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the "**Member**").

Background:

A. Starbird Franchising LLC ("**Franchisor**") owns (and/or is a licensee for) a format and system (the "**System**") relating to the establishment and operation of "Starbird Chicken" businesses operating in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Starbird Chicken" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Starbird Chicken") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Starbird Chicken" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

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

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

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

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

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

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

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

(c) Member covenants and agrees that during the Post-Term Week (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any foodservice business that specializes in offering, serving, and/or selling chicken-based food items as more than twenty-five percent (25%) of its total offerings and/or total revenue

(e) As used in this Agreement, the term "Post-Term Week" means one (1) year from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

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

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

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

7. Employer. Member hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Member, is not a “joint employer” with Franchisee, nor does Franchisor have anything to say about Member’s employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT F-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
*(to be signed by franchisee with its
non-management staff)*

THIS NON-DISCLOSURE AGREEMENT ("**Agreement**") is made on _____, 202____, by and between _____ (the "**Franchisee**") and _____, who is an employee of Franchisee (the "**Employee**").

Background:

A. Starbird Franchising LLC ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Starbird Chicken" businesses in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Starbird Chicken" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Starbird Chicken") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Starbird Chicken" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined below, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

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

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

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

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

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

6. Employer. Employee hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Employee, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Employee's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

Starbird Franchising LLC ("**Franchisor**" or "**us**" or "**we**") and _____ ("**Franchisee**" or "**you**") have this ____ day of _____, 202____ entered into a Starbird Chicken Franchise Agreement ("**Franchise Agreement**") and wish to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within one hundred and eighty (180) days after the date of this Addendum, you agree to acquire or enter into a binding lease/sublease (collectively, a "**lease**"), at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the "**Franchised Business**") at a site that we will have approved in writing as provided below. You must provide us with a copy of the signed purchase agreement or lease/sublease (and you need to close/settle on the property if purchasing).

a. Such location must be within the following area: _____ (the "**Site Selection Area**").

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business.

c. We will not establish, nor franchise another party to establish, a "Starbird Chicken" business operating under the System within the Site Selection Area until the end of the Search Week. For purposes of this Addendum, the term "**Search Week**" means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. Upon expiration of the Search Week, the protections of this paragraph 1.c will expire and you will have no further rights in and to the Site Selection Area other than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have accepted in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you

to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities**: After we have approved a site and before the expiration of the Search Week, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit H. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location**: After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

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

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

Starbird Franchising LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

S ADDENDUM (the "**Addendum**") has been executed on _____, 202____, by and between _____ ("**Franchisee**") and _____ ("**Lessor**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 202____, for the premises located at _____, in the State of _____ (the "**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Starbird Franchising LLC ("**Franchisor**") for the development and operation of a "Starbird Chicken" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth below, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Franchisee hereby agree as follows:

1. Lessor agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Lessor a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Lessor and Franchisor.
2. Franchisee hereby assigns to Franchisor, with Lessor's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor has notified the Franchisee and Lessor in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Lessor, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
4. Franchisee and Lessor agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Lessor's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate a "Starbird Chicken" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement with Franchisor. Lessor agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may reasonably

request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Lessor and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Lessor hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Lessor and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a "Starbird Chicken" business (unless Franchisor takes an assignment of the lease, as provided above). Lessor agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.
7. If Lessor is an affiliate or an owner of Franchisee, Lessor and Franchisee agree that if Lessor proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the "Starbird Chicken" business is located.
8. Lessor agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Lessor's obligations under the Lease. "**Confidential Information**" as used in this Addendum will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Lessor, or otherwise obtained by Lessor, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Lessor acknowledges that all such Confidential Information belongs exclusively to Franchisor.
9. Lessor agrees that: **(a)** Franchisor has granted to only one party, the Franchisee, the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises under the terms of the Franchise Agreement; and **(b)** Franchisor has not granted any rights or privileges to use the Marks to Lessor.
10. Lessor and Franchisee agree that the Premises will be used solely for the operation of a "Starbird Chicken" business.
11. Lessor and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.
12. Lessor and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.
13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

14. Lessor and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at _____ (attention _____), or to such other address as Franchisor may specify by giving written notice to Lessor.

WITNESS the execution hereof under seal.

Lessor:

Franchisor*

Franchisee:

Date:

Date:

Date:

Subscribed and sworn to
before me this ____ day of
_____, 202_____.

Subscribed and sworn to
before me this ____ day of
_____, 202_____.

Subscribed and sworn to
before me this ____ day of
_____, 202_____.

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

* The Franchisor has signed
this lease rider only to
acknowledge its terms and
not to accept any obligations
under the lease.

Starbird Chicken
FRANCHISE AGREEMENT
EXHIBIT I
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Starbird Franchising, LLC
75 Oak Grove Street
San Francisco, California 94107

_____, 202__

Re: **Development Letter Agreement**

Dear _____:

We are pleased to be entering into this Development Letter Agreement (the “**Agreement**”) with you, as of the Effective Date specified on the signature page of this Development Agreement.

The parties to this Development Agreement are:

- Starbird Franchising, LLC, a Delaware limited liability company (“**we**”, “**us**”, and/or “**Franchisor**”); and
- _____, a _____ [state]
_____ [type of entity] (“**you**”, “**your**”, and/or “**Developer**”);

1. **Development**. This Development Agreement relates to the terms under which you will develop “Starbird Chicken” business (each a “**Restaurant**”) within the “**Development Area**” that is specified on the attached Data Sheet (Exhibit A). Each Restaurant will be established under the terms of a separate Franchise Agreement (the “**Franchise Agreement**”) for that Restaurant, which will specify, among other things, the accepted location of that Restaurant.

2. **Development Schedule**. You agree to have each of the Restaurants in the Development Area open and in operation according to the development schedule that is specified on the attached Data Sheet (Exhibit A). That schedule is referred to as the “**Development Schedule**.”

3. **Term**. The term of this Development Agreement starts only when both parties have signed below, and ends on the last date specified in the Development Schedule, unless this Development Agreement is sooner terminated (the “**Term**”).

4. **Fees and Credits**.

4.1 In consideration of the development rights granted in this Development Agreement, you agree to pay us, upon signing this Development Agreement, a development fee as specified on the attached Data Sheet (Exhibit A) (the “**Development Fee**”). The Development Fee shall be fully earned when we receive it from you and it shall be non-refundable in consideration of administrative and other expenses we incur and for the development opportunities lost or deferred as a result of the rights we have granted to you under this Development Agreement, regardless of whether or not you meet your obligations under this Development Agreement.

4.2 If you are in compliance with your obligations under this Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates), then

Development Letter Agreement

initial fee under the Franchise Agreement for each Restaurant that is required to be established in the Development Area under this Development Agreement will be discounted as follows, and we will credit to you the following amounts from the development fee that you paid to us:

For this Restaurant	This will be the initial fee	This portion of the Development Fee is due when you sign this Development Agreement (and will be credited to the initial franchise fee due under the Franchise Agreement)	This is the remaining balance of the initial franchise fee that you will have to pay when you sign the Franchise Agreement
First	\$40,000	\$40,000	0
Second	\$30,000	\$15,000	\$15,000
Third	\$30,000	\$15,000	\$15,000
Fourth	\$30,000	\$15,000	\$15,000
Fifth	\$30,000	\$15,000	\$15,000

4.3 If the parties mutually agree upon your development of a sixth and any additional Restaurants during the term of this Development Agreement, the initial franchise fees for those additional Restaurants will be discounted to be the same as for the fifth Restaurant.

4.4 All payments that you make to us shall be without deduction for any taxes.

4.5 All payments shall be made in the U.S. and in U.S. Dollars, by wire-transfer to a bank account that we designate in writing for that purpose.

5. Development Rights. We agree not to establish, nor license anyone other than you to establish, a Restaurant in the Development Area until the end of the Term, except as otherwise provided under Section 6 below, so long as you (and your affiliates) are in compliance with this Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates), subject to Sections 6 and 7 below.

6. Reservation of Rights. Except as otherwise specifically provided above in Section 5, we retain all other rights (as specified in Section 11.1 below) including all of those specified in Section 1.4 of the attached Franchise Agreement (with the term "Development Area" substituted for "Protected Area" in that agreement).

7. Other Brands. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, as a franchisee, or otherwise) in addition to the "Starbird Chicken" brand) and that we may acquire and operate businesses and other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Development Agreement does not grant you any rights with respect to any such Other Brands.

8. No License to use the Marks. This Development Agreement does not confer upon you any license to use, in any manner whatsoever, our Proprietary Marks or System. To the extent that we are licensing those rights to you, that license will be set out under the Franchise Agreements.

Development Letter Agreement

9. Signing of the Franchise Agreements.

9.1 You must sign a Franchise Agreement for each Restaurant. Each Restaurant shall be located at a site that we have accepted, within the Development Area, as provided below. The Franchise Agreement for each Restaurant developed under this Development Agreement shall be in the form of our then-current Franchise Agreement. You must sign the Franchise Agreement for each Restaurant and submit to us for countersignature not more than thirty (30) days after you sign the lease or purchase property for that Restaurant.

9.2 The terms of each Franchise Agreement for a Restaurant that you or one of your affiliates operate will be amended to reflect the following:

a. Staffing. For every five (5) Restaurants that you (and your affiliates) have in construction as well as open and operating, you must engage at least one Operating Partner to supervise those Restaurants' development, construction, and operation (as provided in Section 6.1 of the Franchise Agreement that is attached to this Development Agreement as Exhibit B).

b. Training. Each Operating Partner must attend and successfully complete the same training course that we require under Section 6.1 of the Franchise Agreement for an Operating Partner.

10. Restaurant Development and Site Acceptance. For each proposed site for a Restaurant, you must submit to us, in a form we may specify, a completed site acceptance package and such other information or materials as we may reasonably require. You must submit the site acceptance package, information, and materials at least one hundred and eighty (180) days before the date when the Restaurant must open as listed in the Development Schedule. You also agree to obtain our site acceptance for the first Restaurant to be developed under this Development Agreement within four (4) months after the date of this Development Agreement. If we provide our written acceptance of a proposed site, then we will send you written notice within thirty (30) days after we receive your completed site acceptance package. If we do not send that notice to you within the same thirty-day period, then we shall be deemed to have not accepted the proposed site. Until we have provided our written acceptance of a proposed site, you may not open or operate a Restaurant at that location.

10.1 If you will occupy the premises from which the Restaurant is to be operated under a lease, then before signing the lease, you must submit to us the draft lease or sublease for our acceptance. Our acceptance of the lease shall be conditioned upon the inclusion in the lease of terms acceptable to us, as specified in our then-current "lease rider" (see Exhibit G to the Franchise Agreement attached as Exhibit B to this Development Agreement). You must obtain our prior written acceptance as to the site for each Restaurant before you enter into a lease or sublease for that site, and before you start construction at these sites. Within thirty (30) days after we give our site acceptance, you must sign a lease, after obtaining our acceptance of the terms of the lease, or a binding agreement to purchase the site, subject only to your obtaining any necessary zoning variances, building, or use permits. Nothing in this Section 10 shall be deemed to amend or modify your obligation to meet the Development Schedule. As used in this Development Agreement, the term "lease" includes subleases and similar subordinate grants of occupancy rights.

10.2 Recognizing that time is of the essence, you agree to satisfy the Development Schedule. If you do not meet the Development Schedule, or if you do not submit a completed site acceptance package and obtain our acceptance within the time periods noted in this Section 10, that will constitute a default under this Development Agreement.

10.3 We may provide guidance to you in obtaining sites for your Restaurants. Neither our acceptance of a proposed site nor any information we communicate to you regarding our standard site

Development Letter Agreement

selection criteria for Restaurants (nor publicly available data for the site) constitutes a warranty or representation of any kind, expressed or implied, as to the suitability of the site for a Restaurant or for any other purpose. Our acceptance of a site merely signifies that we are willing to grant a franchise for a Restaurant at that location. Your decision to develop and operate a Restaurant at the site is based solely on your own independent investigation of the suitability of the site.

10.4 In consideration of our acceptance of the site, you and each of your owners release us and our affiliates, as well as our officers, directors, employees and agents, from all loss, damages and liability arising from or in connection with the selection or acceptance of the site for development as a Restaurant, and agree to hold each such party harmless for such site acceptance.

10.5 In connection with your proposed site and lease for the operation of each Restaurant, you acknowledge and agree that:

c. Whether you choose to proceed ahead with a particular site depends on your confidence in the site after doing your homework, carefully investigating all of the concerns (in addition to any that we may have raised), and investigating whether proper signage can be used at the site. If you decide to proceed ahead with a proposed site, you will still have to determine whether you can obtain a lease on favorable terms.

d. There is no way to know whether a particular site is likely to be successful or not, or whether you have considered every important factor. Factors you cannot predict may also play a role (for example, a construction project that impedes the flow of traffic).

e. If you decide to go ahead with a proposed site and we “accept” that site, you should know that our “go ahead” or even our “acceptance” does not mean that we have reached any conclusion as to whether or not you will be successful in operating a Restaurant at that site. The review we conduct is for our own benefit just to make sure that a site meets certain internal characteristics.

f. Our review and acceptance of the proposed site and lease is not a recommendation or endorsement, and obviously not a guarantee that the site or lease terms are suitable. You are responsible for making the decision and you must take the steps you think are needed to determine whether the site is beneficial to you and whether the terms of the proposed lease make sense.

10.6 You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an “area developer”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

11. *Provisions of the Franchise Agreement Incorporated By Reference.* The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Development Agreement as if they were printed in this Development Agreement (here, and in full text), and that the provisions noted above also apply to this Development Agreement (except that reference to the “Franchisee” in those provisions shall refer to you under this Development Agreement and references to the “Protected Territory” in the Franchise Agreement shall apply to the Development Territory under this Development Agreement):

11.1 Section 1.4 – Reserved Rights

11.2 Section 15 – Insurance

11.3 Section 16 – Transfer of Interest (and also see Section 12 below)

Development Letter Agreement

- 11.4 Section 17 – Default and Termination (and also see Section 13 below)
 - 11.5 Section 18 – Obligations upon Termination or Expiration
 - 11.6 Section 19 – Covenants
 - 11.7 Section 20 – Taxes, Permits, and Indebtedness
 - 11.8 Section 21 – Independent Contractor and Indemnification (and also see Section 15 below)
 - 11.9 Section 22 – Force Majeure
 - 11.10 Section 23 – Approvals and Waivers
 - 11.11 Section 24 – Notices
 - 11.12 Section 26 – Severability and Construction
 - 11.13 Section 27 – Applicable Law and Dispute Resolution (*You specifically acknowledge and agree that the State of New York has a deep body of law that will aid in interpreting and understanding the terms of this Development Agreement. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you agree that New York law shall exclusively govern the terms of this Development Agreement (but not applying New York conflict of laws rules), and that the parties agree to waive any right trial by jury, that you are waiving the right to seek or collect punitive damages, that the parties must first mediate any dispute before bringing an action in court; that the venue for any action you may file against us will be in the courts having jurisdiction over New York County, New York, that you are waiving participation in a common or class action against us, and that all legal actions that you or we bring (excluding claims for indemnification) must be brought within one (1) year from the occurrence of the facts giving rise to such claim or action – all as described in Section 27 of the Franchise Agreement.*)
 - 11.14 Section 28 – Acknowledgments
 - 11.15 Section 6 – training and staffing, as provided in Section 9.2 above
12. Transfers. In addition to the provisions of Sections 9.2(d) and 11.3 above, you understand and agree that we have entered into this Development Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of Restaurants, and that as a result, you agree that it would not be unreasonable for us to withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Development Agreement (if this Development Agreement has not at the time of a proposed transfer either expired or terminated).
13. Defaults. In addition to the provisions of Sections 10.2 and 11.4 above, you will be in default under this Development Agreement if you: (a) do not meet your obligations under the Development Schedule; (b) you do not meet your obligations under this Development Agreement and/or any other agreement between you (and/or your affiliates); and/or (c) fail to timely provide us with any information or documents that we reasonably request under this Development Agreement or any other agreement between you (and/or your affiliates) and us (and/or our affiliates). If you are in default under this Development Agreement, then we will have the right to: (i) terminate this Development Agreement by

Development Letter Agreement

giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law); or (ii) take any lesser action instead of terminating this Development Agreement, including but not limited to suspending or eliminating your rights to the Development Area. A default under this Development Agreement shall not constitute a default under any Franchise Agreement between the parties.

14. **Entire Agreement and Amendment.** This Development Agreement (including the Data Sheet and the provisions of the Franchise Agreement that are incorporated by reference) constitutes the entire, full, and complete contract between the parties concerning the subject matter of this Development Agreement, and supersede all prior communications, representations, and agreements; however, nothing in this Development Agreement or elsewhere is meant to disclaim any statement included in our franchise disclosure document). Except for those changes that we are permitted to make unilaterally under this Development Agreement, no amendment, change, or variance from this Development Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. **Indemnity.** You agree to defend, indemnify and hold us, our owners and affiliates, and our (and our affiliates') officers, directors, members, managers, employees, and agents harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with your conduct and/or operation of the business contemplated under this Development Agreement, as well as the costs of defending against them (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses). This indemnification is in addition to the indemnification provisions of the Franchise Agreements.

16. **Captions.** The headings and captions in this Development Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement. When used in this Development Agreement, the term "including" means "including but not limited to" in each instance.

17. **Confirmation that You Read and Understand the Franchise Agreement.** You confirm that you read and understand the Franchise Agreement attached to this Development Agreement as Exhibit B (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Development Agreement (including the waiver of jury trial, the

Development Letter Agreement

waiver of punitive damages, the mediation and venue clauses, and the provision waiving participation in a common or class action)).

IN WITNESS WHEREOF, intending to be legally bound by this Development Agreement, the parties have duly executed, sealed, and delivered this Development Agreement to one another on the Effective Date.

Starbird Franchising, LLC

Franchisor

Developer Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Effective Date:_____

Address for Notices:

75 Oak Grove Street
San Francisco, California 94107

Attn:_____

E-mail: _____

Address for Notices:

Attn: _____

Exhibits (2):

A – Data Sheet; and

B – Franchise Agreement

Development Letter Agreement

Exhibit A - Data Sheet

The Development Fee under this Development Agreement shall be:

For this Restaurant to be Developed in the Development Area:	The Development Fee shall be (this is the portion that we will credit toward your discounted initial franchise fees as provided in Section 4.2 of this Development Agreement):
First	\$40,000
Second	\$15,000
Third	\$15,000
Fourth	\$15,000
Fifth	\$15,000
Total Development Fee	\$100,000

Initialed

Franchisor

Developer

The Development Area under this Development Agreement shall be:

The present political boundaries of _____
(excluding airports, seaports, and U.S. Government-operated facilities) (subject to Sections 5 through 7 of this Development Agreement).

Initialed

Franchisor

Developer

The Development Schedule under this Development Agreement shall be:

By this anniversary of the date of this Development Agreement	Cumulative Total Number of Restaurants That You Agree To Have Open and in Operation in the Development Area
[number (#)] months	One
[number (#)] months	Two
[number (#)] months	Three
[number (#)] months	Four
[number (#)] months	Five

Initialed

Franchisor

Developer

Development Letter Agreement

Exhibit B - The Franchise Agreement

EXHIBIT C**List of State Administrators**

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

CALIFORNIA Dep't of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK Dep't of Law Investor Protection Bureau 28 Liberty St., 21 st Floor New York, NY 10005 / (212) 416-8236
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	NORTH DAKOTA Securities Dep't State Capitol – Dep't 414 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Office of the Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465	RHODE ISLAND Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	SOUTH DAKOTA Div. of Insurance Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main St., 9th Floor Richmond, VA 23219 (804) 371-9051
MICHIGAN Michigan Department of Attorney General Consumer Protection Attn: Franchise Section 525 West Ottawa St. G. Mennen Williams Building, 1 st Floor Lansing, MI 48933 (517) 335-7567	WASHINGTON Securities Div. Dep't of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760
MINNESOTA Dep't of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

EXHIBIT D**List of Agents for Service of Process**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK Secretary of State One Commerce Plaza, 99 Washington Av., 6 th Fl. Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	NORTH DAKOTA Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465	RHODE ISLAND Director of Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	SOUTH DAKOTA Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main St., 1 st Floor Richmond, VA 23219 (804) 371-9733
MICHIGAN Michigan Department of Attorney General Consumer Protection Attn: Franchise Section 525 West Ottawa St. G. Mennen Williams Building, 1 st Floor Lansing, MI 48933 (517) 335-7567	WASHINGTON Director of Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

The following is our current general release language that we expect to include in a release that a franchisee or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group"), hereby forever release and discharge, and forever hold harmless Starbird Franchising LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.") The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

This general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

<u>Section</u>	<u># Pages</u>
Recipes	70
Station Training Manuals	140
Manager Training Manual	28
Chart Package (Quick Reference).....	15
Build Cards	16
Catering Manual	34
Manager Tech Stack	50
Local Store Marketing	50
ExpandShare Support	9
(9 pages, 6 videos - 5 min. each)	
Total	412



Report of Independent Auditors and
Financial Statements

Starbird Franchising, LLC

December 31, 2024, 2023, and 2022



MOSSADAMS

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Report of Independent Auditors

The Member
Starbird Franchising, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Starbird Franchising, LLC, which comprise the balance sheets as of December 31, 2024, 2023, and 2022, and the related statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Starbird Franchising, LLC as of December 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Starbird 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Starbird 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Starbird 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 Starbird 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.



Los Angeles, California

March 7, 2025

Financial Statements

Starbird Franchising, LLC
Balance Sheets
December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	ASSETS		
CURRENT ASSETS			
Cash and cash equivalents	<u>\$ 713,900</u>	<u>\$ 253,091</u>	<u>\$ 250,000</u>
Total assets	<u><u>\$ 713,900</u></u>	<u><u>\$ 253,091</u></u>	<u><u>\$ 250,000</u></u>
	LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES			
Due to related party	\$ 141,006	\$ 31,315	\$ -
CONTRACT LIABILITY, non-current	<u>460,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>601,006</u>	<u>31,315</u>	<u>-</u>
MEMBER'S EQUITY	<u>112,894</u>	<u>221,776</u>	<u>250,000</u>
Total liabilities and member's equity	<u><u>\$ 713,900</u></u>	<u><u>\$ 253,091</u></u>	<u><u>\$ 250,000</u></u>

See accompanying notes.

Starbird Franchising, LLC
Statements of Operations
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES			
General and administrative	<u>109,761</u>	<u>31,357</u>	<u>-</u>
OTHER INCOME			
Interest income	<u>879</u>	<u>3,133</u>	<u>-</u>
NET LOSS	<u><u>\$ (108,882)</u></u>	<u><u>\$ (28,224)</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

Starbird Franchising, LLC
Statements of Changes in Member's Equity
Years Ended December 31, 2024, 2023, and 2022

BALANCE, January 1, 2022	\$ -
Contribution	<u>250,000</u>
BALANCE, December 31, 2022	<u>250,000</u>
Net loss	<u>(28,224)</u>
BALANCE, December 31, 2023	221,776
Net loss	<u>(108,882)</u>
BALANCE, December 31, 2024	<u><u>\$ 112,894</u></u>

See accompanying notes.

Starbird Franchising, LLC
Statements of Cash Flows
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (108,882)	\$ (28,224)	\$ -
Changes in operating assets and liabilities			
Deferred franchise revenue	<u>460,000</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>351,118</u>	<u>(28,224)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from related party	109,691	31,315	-
Contribution	<u>-</u>	<u>-</u>	<u>250,000</u>
Net cash provided by financing activities	<u>109,691</u>	<u>31,315</u>	<u>250,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	460,809	3,091	250,000
CASH AND CASH EQUIVALENTS, beginning of year	<u>253,091</u>	<u>250,000</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 713,900</u></u>	<u><u>\$ 253,091</u></u>	<u><u>\$ 250,000</u></u>

See accompanying notes.

Starbird Franchising, LLC

Notes to Financial Statements

Note 1 – Organization and Description of Business

Starbird Franchising, LLC (the Company), a Delaware limited liability company (LLC), was formed on October 7, 2021, and is the franchisor of a limited-service, fast casual restaurant concept “Starbird.” The Company is a wholly owned subsidiary of Chicken Coup, LLC (the Member). The Member is the owner of all intellectual property rights in certain systems, trademarks, service marks, and other intellectual property used in the operation of Starbird restaurants (the Starbird IP) and has licensed the Starbird IP and other know-how and confidential information to the Company to develop the Starbird franchise system to offer, sell, and support of the franchised business.

The Company will franchise Starbird restaurants throughout the United States and internationally through a 50-year royalty free renewable trademark license agreement with the Member. The license agreement grants the Company a non-exclusive right to use the Starbird IP and to license the Starbird IP to franchisees under franchise agreements. There were no operations of the Company prior to April 18, 2022.

The Member contributed \$250,000 in cash to fund operations on April 18, 2022. The Company has relied on resources from its Member to support initial operations, and the Member has committed to continue to provide financial support to the Company sufficient for the Company during the start-up phase of the franchising operations. Until such time that the Company is actively selling franchises and opening up franchise locations, it is dependent on its Member to provide financial resources, administrative, management, support activities, and various other items. The accompanying financial statements may not be indicative of conditions that would have existed if the Company had been operated as an unaffiliated entity.

The Company is in the business of franchising limited-service, fast casual restaurants, which provides crispy chicken-based meals to their customers. The franchise agreements are typically for 10 years and will require the franchisee to pay an initial franchise fee for each location to be opened. Once the franchisee begins operations, the Company will charge a royalty fee of up to five percent of the franchise net sales. As of December 31, 2024, there are no open locations. As of December 31, 2024, the Company sold the rights to develop 27 franchise locations. As of December 31, 2023 and 2022, the Company had not sold rights to develop any franchises. The Company does not operate and has never operated any Starbird restaurants.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition. References to ASC and ASU included hereinafter refer to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Use of estimates – The preparation of the financial statements, in accordance with U.S. GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date. The actual results could differ significantly from those estimates.

Starbird Franchising, LLC

Notes to Financial Statements

Cash and cash equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The Company's cash equivalents consist of short-term government treasury bills as of December 31, 2024 and 2023. The Company carried no cash equivalents as of December 31, 2022.

Concentration of credit risk – Financial instruments, which may potentially be subject to a concentration of credit risk, are cash and cash equivalents. The Company maintains substantially all of the day-to-day operating cash balances with major financial institutions. The cash and cash equivalents balance is not in excess of Federal Deposit Insurance Corporation insurance limits. The Company has experienced no loss or lack of access to cash and cash equivalents in its operating accounts.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include only cash and cash equivalents. Management estimates that the fair value of all financial instruments at December 31, 2024, 2023, and 2022, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Revenue recognition – The Company's policy is to record revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

The Company has identified one performance obligation for the use of the license and intellectual property and will recognize the franchise and renewal fee over the term of the franchise and renewal periods, respectively. The Company has not yet generated revenue as of December 31, 2024, 2023, and 2022. The following revenue recognition policies are in place as revenue is generated in future years:

Contract liabilities – Contract liabilities represent a liability related to a revenue-producing activity for which revenue has not yet been recognized. The Company records contract liabilities when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognized in conformity with GAAP. Contract liabilities represent the initial franchise fee received that the Company has not yet earned.

Franchise fee revenues – The franchise arrangement between the Company and each franchise owner of a Starbird restaurant is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Starbird brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation, which is the transfer of the franchise license and intellectual property. The nature of the Company's promise in granting the franchise arrangement is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise agreement.

Royalty fee revenues – Royalty fee revenues represent royalties earned from each of the franchisees in accordance with the franchise disclosure document and the franchise agreement for use of the "Starbird" name, menus, processes, and procedures. The royalty rate in the franchise agreement is up to five percent of the net sales of each store operated by each franchisee. Royalty fee revenue from franchised restaurants is recognized in the period earned and is payable to the Company weekly when the sales are reported by the franchisees.

Starbird Franchising, LLC

Notes to Financial Statements

Marketing contribution revenues – Marketing contribution revenues represent payments made by the franchisee to the Company for the brand development fund (Brand Fund), and the national digital media fund (Media Fund) in accordance with the franchise disclosure document, and the franchise agreement. The Brand Fund and Media Fund fee rate is up to two percent of the net sales of each restaurant operated by each franchisee. Brand Fund and Media Fund fee revenue is recognized weekly, while expenditures will be included in advertising expenses. Expenditures of the Brand and Media funds will primarily be amounts paid to third parties but may also include personnel expenses and allocated costs from the Member.

Income taxes – The Company is an LLC and is classified as a partnership for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax returns. Accordingly, no taxes payable of deferred tax assets or liabilities are reflected in these financial statements.

General and administrative – General and administrative expenses consist primarily of bank charges and professional fees.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through March 7, 2025, which is the date the financial statements were available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Member's Equity

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company's Member is limited to its specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member in accordance with the operating agreement.

Note 4 – Related-Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions, or if they are subject to common control or common significant influence. Significant related-party transactions during the year ended December 31, 2024 and 2023, consist of borrowings from the Member for use in the normal course of business operations. There were no significant related-party transactions during the period ended December 31, 2022.

**State-Specific Disclosures
and
State-Specific Amendments**

In recognition of the requirements of the California Franchise Investment Law the Franchise Disclosure Document for Starbird Franchising LLC for use in the State of California shall be amended as follows:

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF ANY AGREEMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees 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.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law but we will enforce it to the extent enforceable.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

3. The maximum interest rate allowed by law in California is 10% annually.
4. 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.
5. 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. This provision supersedes any other term of any document executed in connection with the franchise.
6. **California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1):**

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

Exhibit H-2**California Amendment to the Franchise Agreement**

In recognition of the requirements of the California Franchise Relations Act, the parties to the attached Starbird Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. For the purposes of Cal. Bus. & Prof. Code Section 20022:
 - a. They will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by us under Section 20022. The purchase price by us for these assets will not include the cost of removal and transportation of those assets, which will be your responsibility.
 - b. For the purposes of Section 20022, you are not able to provide to us with "clear title and possession" to your Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by franchisee's landlord; or (v) tax liens.
 - c. For the purposes of Section 20022(h), our right of offset will include the following amounts owed by you to us or our Affiliates: (i) Royalty Fees; (ii) Brand Development Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by you to us or our Affiliates.
2. For the purposes of Cal. Bus. & Prof. Code Section 20035:
 - a. "Fair market value of the franchise assets" means the value of your Assets, valued according to the declining-balance method of depreciation. The purchase price by us for the Assets will not include the cost of removal and transportation of those assets, which will be your responsibility.
 - b. "Fair market value of the franchised business" means the "fair market value of the franchise assets" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by you to us within the twelve (12) month period immediately before our termination or failure to renew if we are in violation of the California Franchise Relations Act.
3. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Relations Act are met independently without reference to this amendment.

4. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1):

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.

5. For the purposes of Cal. Code Regs. Tit. 10, § 310.114.1, Franchisor and Franchisee agree that:

a. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document 14 days prior to execution of any agreement.

b. 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 Agreement contains a provision that is inconsistent with the law, the law will control.

c. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. sec. 101 et. Seq.).

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

e. If the Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages are unenforceable.

f. The Agreement requires the parties to resolve all disputes through mediation in courts with jurisdiction over San Francisco, California, with the costs being borne by the losing party.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this California amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Starbird Franchising LLC

Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Exhibit H-3**California Amendment to the Development Agreement**

In recognition of the requirements of the California Franchise Relations Act, the parties to the attached Starbird Franchising LLC Development Agreement (the "Agreement") agree as follows:

1. For the purposes of Cal. Bus. & Prof. Code Section 20022:
 - a. They will use the declining-balance depreciation method to calculate the value of Developer's Assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by us under Section 20022. The purchase price by us for these assets will not include the cost of removal and transportation of those Assets, which will be your responsibility.
 - b. For the purposes of Section 20022, you are not able to provide to us with "clear title and possession" to your Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by Developer's landlord; or (v) tax liens.
 - c. For the purposes of Section 20022(h), our right of offset will include the following amounts owed by you to us or our Affiliates: (i) Royalty Fees; (ii) Brand Development Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by you to us or our Affiliates.
2. For the purposes of Cal. Bus. & Prof. Code Section 20035:
 - a. "Fair market value of the franchise assets" means the value of your Assets, valued according to the declining-balance method of depreciation. The purchase price by us for the Assets will not include the cost of removal and transportation of those assets, which will be your responsibility.
 - b. "Fair market value of the franchised business" means the "fair market value of the franchise assets" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by you to us within the twelve (12) month period immediately before our termination or failure to renew if we are in violation of the California Franchise Relations Act.
3. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. **California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1):**

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.

5. For the purposes of Cal. Code Regs. Tit. 10, § 310.114.1, Franchisor and Developer agree that:

a. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document 14 days prior to execution of any agreement.

b. 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 Agreement contains a provision that is inconsistent with the law, the law will control.

c. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. sec. 101 et. Seq.).

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

e. If the Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages are unenforceable.

f. The Agreement requires the parties to resolve all disputes through mediation in courts with jurisdiction over San Francisco, California, with the costs being borne by the losing party.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this California amendment to the Development Agreement on the same date as the Franchise Agreement was executed.

Starbird Franchising LLC

Franchisor

Developer

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for Starbird Franchising LLC for use in the State of Illinois shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

- A. Illinois law governs the agreements between the parties to this franchise.
- B. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
- C. Section 41 of the Illinois Franchise Disclosure Act provides that 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.
- D. Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

Exhibit H-5**Illinois Amendment to the Franchise Agreement**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Starbird Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Illinois law governs the agreements between the parties to this franchise.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
3. Section 41 of the Illinois Franchise Disclosure Act provides that 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.
4. Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Starbird Franchising LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Exhibit H-6**Illinois Amendment to the Development Agreement**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Starbird Franchising LLC Development Agreement (the "Agreement") agree as follows:

1. Illinois law governs the agreements between the parties to this franchise.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a development agreement may provide for arbitration outside of Illinois.
3. Section 41 of the Illinois Franchise Disclosure Act provides that 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.
4. Your right upon termination and non-renewal of a development agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Development Agreement on the same date as the Development Agreement was executed.

Starbird Franchising LLC

Franchisor:

Developer:

By:_____

By:_____

Printed Name:_____

Printed Name:_____

Title:_____

Title:_____

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for Starbird Franchising LLC for use in the State of Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

- i. The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- ii. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
- iii. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

2. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

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

4. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own, without referring to this addendum.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Starbird Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be amended by the addition of the following:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be amended by the addition of the following:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Sections 27.2 and 27.7 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following:

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

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

4. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the addition of the following:

28.14 The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

28.15 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

28.16 The Franchisee Compliance Certification is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the

effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Starbird Franchising LLC

Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Starbird Franchising LLC Development Agreement (the "Agreement") agree as follows:

1. The Agreement is amended to include the following:

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

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All representations requiring prospective franchisees and developers to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
3. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Development Agreement on the same date as the Development Agreement was executed.

Starbird Franchising LLC

Franchisor

Developer

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

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

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

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

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

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN five 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, MARKETING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST six 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.*

(* NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO ENFORCE FULLY ANY PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS UNDER THE FEDERAL ARBITRATION ACT.)

(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 FRANCHISEE 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 FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

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

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.

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGEMENT SIGNED OR AGREED TO BY A FRANCHISE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISEE 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 FRANCHISOR. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:
MICHIGAN ATTORNEY GENERAL'S OFFICE
CORPORATE OVERSIGHT DIVISION, FRANCHISE SECTION
525 WEST OTTAWA STREET
G. MENNEN WILLIAMS BUILDING, 1st FLOOR
LANSING, MICHIGAN 48913
(517) 335-7567

In recognition of the requirements of the N.Y. Gen. Bus. Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for Starbird Franchising LLC for use in the State of New York shall be amended as follows:

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 D OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard 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 a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of 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 at the end of Item 4:

Neither we, our affiliate, predecessor, officers or general partner, during the 10 year period immediately preceding the date of this franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer in a company, or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year of the time that the officer or general partner held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

6. 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.

7. The following language is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

In recognition of the requirements of the N.Y. Gen. Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Starbird Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

18.7 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

4. Section 27.5 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted and the following shall be substituted in its place:

27.5 *Injunctions.* Nothing contained in this Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

5. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

6. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Starbird Franchising LLC

Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

In recognition of the requirements of the N.Y. Gen. Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Starbird Franchising LLC Development Agreement (the "Agreement") agree as follows:

1. Section 12 of the Agreement, under the heading "Transfers," shall be supplemented by the following:

12. The release granted by the transferor shall not limit the rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

2. Sections 11.13 of the Agreement, under the heading "Applicable Law," shall be supplemented by the following

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

3. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Developer is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective franchisee and developer that is protected under the New York General Business Law, Article 33.

4. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Development Agreement on the same date as the Development Agreement was executed.

Starbird Franchising LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

In recognition of the requirements contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document of Starbird Franchising LLC is amended as follows:

1. Risk Factor:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$1,116,907 to \$1,656,763. This amount exceeds the franchisor's stockholder's equity as of December 31, 2022, which is \$250,000.

2. Item 17, Additional Disclosure. The following statements are added to Item 17.h:

According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

According 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 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. 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. This addendum will apply only if the Virginia Retail Franchising Act would apply on its own, without referring to this addendum.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the Franchise Agreement, the Development Agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "Act") will prevail.
2. **Franchisee Bill of Rights.** The State of Washington has a statute, the Act, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There might also be court decisions which supersede the Agreement in your relationship with us, including termination and renewal of your franchise. Franchise Agreement and Development Agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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 or Development Agreement, a Franchisee or Developer 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. **General Release.** A release or waiver of rights in the Franchise Agreement or Development Agreement or related agreements purporting to bind you to waive compliance with any provisions under the Act or any rules or orders thereunder is void, except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel, in accordance with the Act. In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void, except as provided for in the Act.
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions such contained in the Franchise Agreement, Development Agreements or related agreements as those that 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, might not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.
7. **Termination by Franchisee.** You may terminate the Franchise Agreement and Development Agreement under any ground permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in Franchise Agreements, Development Agreements or related agreements that permit the Franchisor to repurchase the Franchisee's or Developer's business for any reason during the term of the Franchise Agreement or Development Agreement without the Franchisee's or Developer's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the Franchise Agreements, Development Agreements or related agreements that requires the Franchisee or Developer to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits Franchisees and Developers to seek treble damages under certain circumstances. Accordingly, provisions contained in the Franchise Agreement, Development Agreement or elsewhere requiring Franchisees and Developers to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the Franchise Agreement, Development Agreement or related agreements stating that the Franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the Franchise Agreement, Development Agreement or related agreements requiring the Franchisee or Developer to indemnify, reimburse, defend, or hold harmless the Franchisor or other parties is hereby modified such that the Franchisee or Developer has no obligation to indemnify, reimburse, defend, or hold harmless the Franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the Franchise Agreement, Development Agreement or related agreements require a Franchisee or Developer to reimburse the Franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the Franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a Franchisee or Developer, 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 or Developer 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.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a Franchisor from restricting, restraining, or prohibiting a Franchisee or Developer from (i) soliciting or hiring any employee of a Franchisee or Developer 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, Development Agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgements.** No statement, questionnaire, or acknowledgement signed or agreed to by a Franchisee or Developer 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 Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
17. **Prohibitions on Communicating with Regulators.** Any provision in the Franchise Agreement, Development Agreement or related agreements that prohibits the Franchisee or Developer from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the Franchisor and is paid a fee for referring prospects to the Franchisor and/or selling the franchise. If a Franchisee or Developer is working with a franchise broker, Franchisees and Developers are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. Item 5 of the Franchise Disclosure Document is amended as follows:
- “Despite the payment provisions in this Item 5, all initial fees and payments due to us will be deferred until the first business day following the date that we have completed all of our material initial obligations to you under the Franchise Agreement and you begin to conduct business at the Franchised Business, at which time all initial fees and payments will become immediately due and payable.”
20. Item 8 of the Franchise Disclosure Document is amended as follows:
- “Notwithstanding anything to the contrary, if we do not give our approval of your proposed marketing, advertising, or promotional plans within 14 business days, then we will have been deemed to approve the plans or materials.”
21. Section 4.1 of the Franchise Agreement is amended as follows:
- “Despite the payment provisions in this Section 4.1, all initial fees and payments due to Franchisor will be deferred until the first business day following the date that Franchisor has completed all of its material initial obligations to Franchisee under the Franchise Agreement and Franchisee begins to conduct business at the Franchised Business, at which time all initial fees and payments will become immediately due and payable.”

22. Section 13.9 of the Franchise Agreement is amended as follows:

“Notwithstanding anything to the contrary, if we do not give our approval of your proposed marketing, advertising, or promotional plans within 14 business days, then we will have been deemed to approve the plans or materials.”

23. Section 27.7 of the Franchise Agreement is deleted in its entirety.

24. Section 4.1 of the Development Agreement is amended as follows:

“Despite the payment provisions in this Section 4.1, because Franchisor has material pre-opening obligations with respect to each Starbird Restaurant Franchisee opens under the Development Agreement, payment of the Development Fee will be paid proportionally with respect to each Starbird Restaurant opened and is deferred until Franchisor has met all its pre-opening obligation under the Development Agreement and Franchisee is open for business with respect to each such location.”

25. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

FRANCHISOR

Starbird Franchising LLC

A Delaware limited liability company

FRANCHISEE/AREA DEVELOPER

A_____

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

EXHIBIT I**List of Current and Former Franchisees**

Current franchisees as of our fiscal year ended Dec. 31, 2024:

None.

Former franchisees as of our fiscal year ended Dec. 31, 2024 (and those with whom we have not communicated during the 10 weeks before the issuance of this disclosure document):

None.

Franchise Agreements Signed But Outlets Not Open as of Dec. 31, 2024:

Denver	Whiplash Holdings, LLC 965 South Colorado Boulevard Denver, Colorado 80246 (832) 764-3747
Salt Lake City	DDSB Holdings, LLC 81 W 3300 S, STE B Salt Lake City, UT 84115 (801) 214-3380
Vancouver	M Foods, LLC 1899 SE Spinaker Way Vancouver, WA 98661 (541) 840-3226

Licensed locations as of Dec. 31, 2024:

SFO Int'l Airport, Terminal 1	Tastes on the Fly San Francisco, LLC Harvey Milk Terminal #1B San Francisco, CA 94128 (650) 821-6823
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EXHIBIT J**List of Company-Owned Restaurants**

Current company-owned Restaurants as of our fiscal year ended Dec. 31,2024:

Campbell	1875 S Bascom Avenue, Suite 112 Campbell, CA 95008 (408) 385-7688
Corte Madera	205 Corte Madera Town Center Corte Madera, CA 94925 (415) 758-4118
Cupertino	20080 Stevens Creek Boulevard Suite 100 Cupertino, CA 95014 (408) 915-3949
Fairfax	7150 Beverly Blvd Los Angeles, CA 90036 (323) 200-9443
Foster City	1141 Triton Drive Foster City, CA 94404 (650) 570-0593
Hermosa Beach	429 Pacific Coast Highway Hermosa Beach, CA 90254 (424) 237-8923
Marina Del Ray	13161 Mindanao Way Suite D-6C Marina Del Rey, CA 90292 (424) 216-6024
Palo Alto	2515 El Camino Real Suite 102 Palo Alto, CA 94306 (650) 272-3973
Pleasanton	6455 Owens Drive Suite 5A Pleasanton, CA 94588 (925) 400-7822
San Jose	1088 E Brokaw Road San Jose, CA 95131 (408) 451-9052
South San Francisco	988 El Camino Real Suite 2 South San Francisco, CA 94080 (650) 300-0412
Sunnyvale	1241 W El Camino Real Sunnyvale, CA 94087 (650) 988-6630
Walnut Creek	2849 Ygnacio Valley Rd Walnut Creek, CA 94598 (925) 532-1127

Non-traditional locations:

Cal Memorial Stadium Berkeley	2227 Piedmont Ave Berkeley, CA 94720 Telephone: Not applicable
Levi's Stadium Santa Clara	4900 Centennial Boulevard Santa Clara, CA 95054 (408) 673-2100

Ghost kitchens:

San Francisco	60 Morris St San Francisco, CA 94107 (415) 237-6537
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STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
New York	Pending
Virginia	Pending
Washington	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L**Item 23 Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Starbird Franchising LLC ("**SFLLC**") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or pay SFLLC (or an affiliate) any funds in connection with the proposed franchise transaction; (b) in NY, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 10 business days before you sign a binding agreement with (or make payment to) SFLLC or an affiliate; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with (or make payment to) SFLLC or an affiliate; or (d) in Mich., at least 10 business days before the earlier of when you sign a binding agreement with (or make payment to) SFLLC or an affiliate.

If SFLLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to your state authority listed on Exhibit C.

SFLLC is the franchisor with its offices at 75 Oak Grove Street, San Francisco, California 94107 (tel: 415.728.9008). The franchise sellers are Aaron Noveshen and Brian Carmichall at SFLLC's offices at 75 Oak Grove Street, San Francisco, California 94107 (tel: 415.728.9008). Any additional individual franchise sellers involved in offering the franchise are: _____.

The issuance date of this Franchise Disclosure Document is April 11, 2025. SFLLC authorizes the agents listed in Exhibit C to receive service of process for us.

I received a disclosure document dated April 11, 2025 that included the following exhibits:

A	Franchise Agreement with Exhibits	G	Financial Statements
B	Development Agreement with Exhibits	H	State-Specific Addenda
C	List of State Administrators	I	List of Current and Former Franchisees
D	List of Agents for Service of Process	J	List of Affiliate-Owned Restaurants
E	Form of General Release	K	State Effective Dates
F	Table of Contents to Brand Manual	L	Item 23 Receipts

Date Received

Prospective Franchisee

Name (Please print)

Address

Please keep this copy of the receipt with your FDD

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Starbird Franchising LLC ("**SFLLC**") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or pay SFLLC (or an affiliate) any funds in connection with the proposed franchise transaction; (b) in NY, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 10 business days before you sign a binding agreement with (or make payment to) SFLLC or an affiliate; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with (or make payment to) SFLLC or an affiliate; or (d) in Mich., at least 10 business days before the earlier of when you sign a binding agreement with (or make payment to) SFLLC or an affiliate.

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Date Received

Prospective Franchisee

Name (Please print)

Address

Please sign, date, and return this copy of the receipt to us