

FRANCHISE DISCLOSURE DOCUMENT

Straw Hat Restaurants, Inc. (a California Corporation)
11501 Dublin Blvd., Suite 200
Dublin, California 94568 (925) 837-3400

Franchise@strawhatpizza.com
WEBSITE: WWW.STRAWHATPIZZA.COM



The name of the franchisor is Straw Hat Restaurants, Inc. ("Straw Hat"). The franchise is for casual dining restaurant serving, among other items, pizza, operating under the name Straw Hat Pizza®, and under Straw Hat's system of opening and operating restaurants. Straw Hat grants to qualified persons the right to own, develop and operate a pizza restaurant, referred to in this document as Straw Hat Pizza restaurant, according to the terms of its standard franchise agreement as described in this Disclosure Document.

The initial investment necessary to develop and begin operation of a Straw Hat Pizza restaurant ranges from \$145,000 to \$1,568,000. This includes the initial franchise fees of \$20,000. If you sign a multi-unit development agreement for the build-out of multiple Straw Hat Pizza restaurants, the initial investment necessary to enter into that agreement ranges from \$155,000 to \$1,578,000. This includes an initial franchise fee of \$30,000.

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 Scott Mason, Straw Hat Restaurants, Inc., 11501 Dublin Blvd., Suite 200, Dublin, California 94568, telephone number (925) 837-3400 x4.

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.

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How to Use This Franchise Disclosure Document

Here are some questions that 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 Exhibits H and I.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibits G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Straw Hat restaurant in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Straw Hat restaurant franchisee?	Item 20 or Exhibits H and I 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:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Personal Guaranty.** Franchisee's spouse must sign a personal guaranty making the spouse jointly and severally liable for all obligations of the franchise and bound by all the provisions of the Franchise Agreement whether or not Franchisee's spouse is involved in the operation of the franchise business. This requirement places the personal assets of the franchise owner and their spouse at risk.
3. **Franchisor's 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.

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

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EXHIBITS

- Exhibit A List of State Regulators and Agents for Service of Process
- Exhibit B Franchisee Application
- Exhibit C-1 Attestation to Financial Data and Authorization for Release of Personal Information
- Exhibit C-2 Form General Release
- Exhibit D-1 Franchise Agreement for Straw Hat Pizza Restaurant
- Exhibit D-2 Multi-Unit Development Agreement for Straw Hat Pizza Restaurant
- Exhibit E Guaranty of Franchise Agreement
- Exhibit F Tables of Contents of Operations Manual
- Exhibit G Financial Statements
- Exhibit H List of Franchisees
- Exhibit I List of Former Franchisees
- Exhibit J Electronic Debit Authorization
- Exhibit K Spousal Consent and Waiver
- Exhibit L State Addenda
- Exhibit M State Effective Dates
- Exhibit N Receipts

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

Straw Hat Restaurants, Inc. is the franchisor. To simplify the language in the Disclosure Document, we will use certain shorthand terms to identify parties. The terms "we," "us," "our" or "Straw Hat" means Straw Hat Restaurants, Inc., the franchisor. In this document, we may refer to the restaurant we offer as "Straw Hat restaurant" or "Straw Hat franchises." We will refer to the person who buys the franchise as "you." "We," "us" and "our" as read in this Disclosure document do not refer to or include you. If you are a corporation or other legal entity, certain provisions of this Disclosure Document also apply to your owners.

The Franchisor & Agent for Service of Process

We are a corporation organized under the laws of the State of California on May 16, 2006. Our legal address and principal offices are located at 11501 Dublin Blvd., Suite 200, Dublin, California 94568. We do business under the name "Straw Hat Pizza". Our agents for service of process are listed in attached Exhibit A.

Predecessors and Affiliates

We have no predecessor or affiliates.

From 1987 through 2016, Straw Hat Pizza restaurants were operated by the shareholder-members of Straw Hat Cooperative Corporation ("SHCC"), which was an affiliate of Straw Hat. In 2016, SHCC was dissolved and ceased operating, and the shareholder-members either became franchisees in our system or left the system.

Our Business Experience

We do not operate any business similar to the franchise described in this Franchise Disclosure Document. In the past, Straw Hat has offered an opportunity to sell frozen yogurt under our Tower 27 brand and opportunities to operate a smaller restaurant model as a Straw Hat Pizza Express or a larger model with a grill line as a Straw Hat Pizza Grille, but these are no longer offered. Straw Hat does not offer and has not offered franchises in any other line of business.

As described below, in Item 2, some of our officers, managers and directors have operated their own Straw Hat restaurants and some continue to do so.

The Franchise We Offer

The business you would operate under our franchise offer is referred to as the "Franchised Business." The franchise is for the operation of family friendly, casual dining restaurants offering pizza as its primary menu item.

The Straw Hat Pizza restaurant is a full-size dine-in restaurant, offering lunch and dinner. The Straw Hat Pizza menu includes several varieties of pizza, Hot Hat® sandwiches, beer and wine, and other food and beverage products. A typical Straw Hat Pizza restaurant is between 2,400 and 5,000 square feet in area. Typically, each Straw Hat Pizza restaurant has dining room facilities

seating an average of 120 customers, has a semi-wait staff, carry-out facilities and may offer delivery. A Straw Hat Pizza restaurant includes a salad bar or prepared salads. Décor at a Straw Hat Pizza restaurant includes family friendly amusement and entertainment. If you and we agree, you may add a food truck to your Straw Hat Pizza business, or you may build out an outdoor patio space with seating.

We reserve the right to revise and update the System as we deem necessary, and with each revision you must follow the System as revised. The revisions may have the effect of requiring you, without your consent, to alter fundamentally the way in which you operate your franchised unit(s).

The Market and The Competition

The pizza market is highly developed and competitive. Straw Hat restaurants compete with a variety of other delivery, fast food and casual dining restaurants, including those specializing in pizza, gourmet pizza, and Italian casual dining. You will also compete with restaurants offering a variety of other food items. The level of competition depends upon the particular area in which you will be opening a restaurant.

Industry-Specific Regulation

We do not believe there are any laws or regulations that are applicable specifically or exclusively to pizza restaurants that do not apply to other businesses generally or to other food service establishments. The U.S. Federal Trade Commission and the U.S. Food and Drug Administration have issued regulations concerning food labeling, nutrition, and health claims (for example, which products may be labeled "low fat"). These laws and regulations apply to a variety of businesses and industries, and may apply to the operation of your restaurant. There may be similar state, county, or local laws or regulations, and laws regulating food safety, storage and handling.

We offer you the option to use a food truck or trailer in connection with your business. In California, many counties will require you to have a commissary where you park your trailer or food truck when not in use. This can be at your restaurant if allowed by your lease. A food truck must also carry commercial insurance and you will need vehicle insurance to cover your food truck or vehicle to tow your trailer. You may also be limited by local laws and permitting restrictions with respect to where you can park your food truck or trailer and operate it commercially.

You must comply with all local, state, and federal laws that apply to your restaurant operations, including, but not limited to, health, sanitation, food storage and preparation, menu labeling and calorie disclosure requirements, non-smoking, EEOC, OSHA, discrimination, immigration, alcohol licensing and serving, reporting of tip income, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits and licenses and operational licenses. You should consult with your attorney concerning these and other local laws and ordinances that may affect your restaurant operations.

ITEM 2. BUSINESS EXPERIENCE

Sal Listek – Chairman of the Board and Acting President

Mr. Listek became the Chairman of the Straw Hat Board in January 2010. Mr. Listek has held a position with Straw Hat since August 2007 and with SHCC from August 2006 through December 2016. Mr. Listek has been a principal of Listek Enterprise, Inc. since 1991. He owned and operated the Straw Hat Pizza restaurant in Antioch, California from 1990 to 2017. Mr. Listek is also the principle in Listek Enterprises which owns and operates the Straw Hat Pizza restaurant in Brentwood, California since July 2004.

Scott Mason – Vice President of Operations

Mr. Mason joined Straw Hat in September 2008 as the Franchise Operations Manager and has since been Director of Operations.

Randy Wise - Director

Mr. Wise is a Member of the Board of Directors of Straw Hat. Mr. Wise has held this position with Straw Hat since August 2007 and with SHCC from August 1989 to December 2016. Mr. Wise has been a principal of YYYS, Inc. since September 1989. Mr. Wise has owned and operated the Straw Hat Pizza Restaurant in Santa Maria, California since August 1996.

Denise Jongerius, Director

Denise Jongerius has been a Straw Hat owner since 2001 with her partnership in the Long Beach, CA Straw Hat. During her tenure as an owner, Ms. Jongerius has served as a Director on the Straw Hat Board, conducted new owner training, and participated on the Straw Marketing Committee. As a longtime member of the Research and Development committee, Ms. Jongerius currently participates in testing of new products.

Camille Bashir, Director

Ms. Bashir has been the owner and operator of a Straw Hat Pizza restaurant located in Watsonville/Freedom, California since December 2016. Since January 2015, she has also been the owner and operator of a Picture This photo booth.

Nasser Jiroudi, Director

Mr. Jiroudi has been a the owner and operator of a Straw Hat Pizza restaurant since 1992. He was elected to serve as a member of the Board of Directors in 2022.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

You must pay an initial fee of \$20,000 for a Straw Hat Pizza restaurant at the time that the Franchise Agreement is signed. The initial franchise fee is non-refundable.

If you are interested in developing two or more Straw Hat Pizza restaurants, and we have approved you to enter into an agreement to develop multiple units, you must sign the Multi-Unit Development Agreement at the same time you sign the Franchise Agreement for the first Straw Hat Pizza restaurant you will develop. If you sign a Multi-Unit Development Agreement, the initial fee for the first restaurant is \$20,000, the fee for the second and all subsequent restaurants is \$10,000. At the time you sign the Multi-Unit Development Agreement, you must pay 100% of the initial fee for the first restaurant, plus 50% of the initial fees for all additional restaurants you are committing to develop. The initial fees are fully earned and non-refundable.

Incentives for Former SHCC Members

We offer certain incentives for existing franchisees who were members of SHCC. These former SHCC franchisees qualify to open new franchise units for a discounted initial franchise fee of \$10,000 per unit. In some instances, we have agreed to allow such franchisees to open up to two units at deeper discounts.

Incentives for Other Existing Franchisees

We also offer incentives for existing franchisees who were not members of SHCC or for former SHCC members who want to own a minority share (50% or less) of the new business. Existing franchisees may open additional units for an initial franchise fee of \$10,000 as long as they will own more than 50% of the business. If they will own 50% or less, they may open an additional unit for an initial franchise fee of \$15,000.

Incentives for Former Franchisees

Finally, we offer an incentive for former franchisees who have left the Straw Hat Pizza system but want to again open a Straw Hat Pizza business. Former franchisees to whom we agree to sell a unit pay an initial franchise fee of \$10,000.

If you do not or your representative does not complete training, training can be repeated for an additional \$5,000 per attendee.

Straw Hat may occasionally adopt additional incentive programs to encourage existing franchisees that meet certain financial and operational criteria to open or acquire additional restaurants. These programs may include waiving initial fees and holidays for payment of periodic franchise fees.

The fees described in this Item are uniform as to all franchisees who receive this offer. Straw Hat reserves the right to change the amount of the initial franchise fee in the future, but has no immediate plans to do so.

ITEM 6. OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee Notes 1, 2, and 3	Greater of 4% of Adjusted Gross Sales. May vary for Non-Traditional Locations. Existing franchisees purchasing under an incentive program pay 3% of Adjusted Gross Sales.	Weekly/ACH	Straw Hat may occasionally adopt incentive programs to encourage existing franchisees who meet certain financial and operational criteria to open or acquire additional restaurants. These programs may include royalty holidays and waiving initial fees.
Advertising Fee Notes 1 and 3	1% of Adjusted Gross Sales, currently. May increase up to 3% in the future.	Weekly/ACH	You may be required to sign a concession agreement or a lease with a third party that requires advertising expenditures in excess of your obligations to us.
Local Advertising	Each store is required to spend an additional 2% on local Marketing.	As Incurred	You will be required to submit receipts showing you have spent the required amount.
Relocation Fee Notes 1 and 4	\$0 - \$8,000	Upon Demand	If you wish to relocate and we permit you to do so, you must reimburse Straw Hat for its reasonable expenses, up to a maximum reimbursement requirement of \$8,000. The Company will provide you with copies of its invoices for its expenses from any third party providers upon your written request.

TYPE OF FEE	AMOUNT	DU DATE	REMARKS
Re-Training Fee Note 1	\$5,000 per person	Upon Demand	If you or your manager do not successfully complete an initial training, you will be charged \$5,000 per person for re-training. This fee is also assessed in a transfer situation if your transferee is new to our brand and must be trained.
Audit Fee Notes 1 and 3	Cost of audit, plus late charges on unpaid Fees	Upon Demand	Payable only if the audit shows an understatement of 3% or more of Adjusted Gross Sales for the period audited.
Transfer Fee Notes 1 and 3	\$5,000	Date of our consent to your transfer	We charge a transfer fee and a re-training fee when you transfer to a new owner who is not an existing franchise owner. Transfers that are not subject to the Company's rights of first refusal do not pay the Transfer Fee, but must pay the Right of First Refusal Exercise Fee, below.
Renewal Fee Note 1	\$10,000	Upon renewal	Payable upon your election to renew.
Late Fee Note 1	1% of principal per month	15 days after payable obligations remain unpaid	Late Fees begin accruing 15 days after any payment is due and accrue on all unpaid amounts due to Straw Hat. Late Fees compound monthly.
Right of First Refusal Exercise Fee Notes 1 and 4	Company's cost	Deducted from Company's payments of purchase price	You are required to reimburse Straw Hat for its cost and liabilities including costs of appraisal if Straw Hat buys your business after your breach of the franchise agreement or termination by Straw Hat of your franchise agreement for cause.
Remediation Fees Notes 1 and 4	Company's cost	Upon demand	You are required to reimburse Straw Hat if it incurs expenses due to your failure to fulfill your obligations, as described below in Note 5.

TYPE OF FEE	AMOUNT	DU DATE	REMARKS
Alternative Supplier/Product Evaluation and Approval Note 1	Company's cost	Upon demand	If you want Straw Hat to consider approving an alternative supplier/product, you must submit a written request, identifying the supplier/item you would like Straw Hat to approve. Straw Hat may require you to give us samples of the product(s) at your own expense and/or to pay the reasonable costs of evaluating the product. Straw Hat will provide you with an estimate of anticipated expenses you would be required to bear if Straw Hat elects to test any product.
Additional Support/Visits	Company's cost	Upon demand	If you want Straw Hat to provide you with support and/or assistance after the first 60 days of operation of your restaurant, you will pay Straw Hat's costs in providing these services. Straw Hat will provide an estimate of these costs to you before provision.

Notes:

1. All fees are imposed by and paid to Straw Hat. All fees are non-refundable. The above fees are not necessarily imposed uniformly. Former members of SHCC pay lower rates of royalties than new franchisees. We reserve the right to negotiate different rates or fees with other franchisees under appropriate circumstances. We also reserve the right to change the type and amount of fees offered to new or renewing franchisees in the future, but have no immediate plans to do so.

2. Most fees collected by Straw Hat will be collected by way of a preauthorized bank deduction procedure ("ACH"). You must agree to establish and maintain a bank account from which Straw Hat is authorized to deduct your Royalty Fees, Advertising Fees and other periodic fees payable to Straw Hat. You must agree that either you or your bank will provide 30 days' written notice prior to any change to your account which would affect Straw Hat's ability to deduct these fees.

3. "Adjusted Gross Sales" " means all receipts including 3rd Party delivery sales, vending machine receipts and game revenue. Adjusted Gross Sales includes off-site services, such as off- site delivery services, catering or special events. Adjusted Gross Sales does not include coupons or similar discounts redeemed from sales or sales tax. Adjusted Gross Sales also does not include Delivery Fees charged by 3rd Party delivery platforms such as DoorDash or GrubHub. Game Revenue is defined as the revenue of the owner's share of revenue generated from

amusement and entertainment coin operated games in the restaurant owned and maintained by a third party. Revenue from games owned and operated by the restaurant owner will be charged to the adjusted gross at 35% of the total game income.

4. In certain instances, you will be required to pay Straw Hat's reasonable expenses if you have failed to meet your obligations under the franchise agreement. If your restaurant is not ready to open for business at the pre-opening inspection, you must pay the cost of a reinspection. If you are unable to operate the restaurant due to disability, death, incapacity, or substantial failures in your operational skills and Straw Hat must install a company representative in order to operate the business, you will be required to reimburse Straw Hat. If you fail to obtain required insurance for your franchise, Straw Hat may opt to insure your franchise and require you to pay the premiums.

ITEM 7. YOUR ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR STRAW HAT PIZZA RESTAURANT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$20,000 Note 1	Lump Sum	At signing of Franchisee Agreement	Straw Hat
Initial Real Estate costs Leased	\$6,000 to \$20,000 Note 2	As incurred	As incurred	Landlord
Construction & Leasehold Improvements	\$30,000 to \$750,000 Note 8	As Incurred	As Incurred	Contractors, Architect
Utility Deposits	\$2,000 to \$70,000 Notes 3, 4	As Incurred	As Incurred	Utility company
Equipment & Fixtures	\$50,000 to \$200,000 Note 8	As Incurred	As Incurred	Vendors
Exterior Signage	\$2,000 to \$20,000	As Incurred	As Incurred	Vendors
Computer System	\$6,000 to \$25,000	As Incurred	As Incurred	Vendors
Initial Inventory and Supplies	\$4,500 to \$12,000	As Incurred	As Incurred	Vendors
Business Licenses, Permits	\$3,000 to \$105,000 Note 7	As Incurred	As Incurred	Public agencies & third parties

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Insurance General	\$6,000 to \$12,000 Note 5	Lump sum or Cash installment	As required by your provider	Insurance company
Travel/Room & Board for Training	\$500 to \$4,000	As Incurred	As Incurred	Airlines, hotels, restaurants
Opening Ad & Promotional Costs	\$10,000	As Incurred	As Incurred	Vendors
Outdoor Patio Area (optional)	\$0 to \$30,000 Note 9	As Incurred	As Incurred	Vendors
Food Truck or Trailer (optional)	\$0 to \$250,000 Note 10	As Incurred	As Incurred	Vendors
Additional Funds	\$5,000 to \$50,000 Note 6	As Incurred	As Incurred	Third parties including vendors & suppliers
Total Note 8	\$145,000 to \$1,568,000			

Notes:

1. You must pay an initial fee of \$20,000 for your Straw Hat Pizza restaurant unless you qualify for an incentive discount discussed in Item 5.

2. You will have to acquire (by lease or purchase) a suitable site for operating your Straw Hat restaurant. Generally, leases are for a terms of 10 years with 1 or more 5 year options to extend. The amounts specified for leasehold improvements, security deposit, first month's rent (estimated to range from \$6,000 to \$14,000 depending upon the square footage and whether the site is urban or less populated location), permits and architect's fees and fixtures and equipment are based on Straw Hat's experience. These costs may vary depending upon the size, condition and location of the leased premises, the landlord's contribution to leasehold improvements, if any, supply and demand for materials and labor in your local area, local building and fire code requirements and requirements of the lease regarding such matters as construction, signage and inflation. If you choose to construct your own building, your construction costs will generally be higher than the cost specified for leasehold improvements. Permit fees, particularly sewer and water hookup fees, vary significantly and increase the total cost of required leasehold improvements.

3. Some municipalities charge a substantial fee for the first time a building is connected to the municipal sewer system. The fee, if charged, can range from \$5,000 to \$70,000. The existence and amount of this fee is totally dependent upon local ordinances and, where

required, will be in addition to the cost of adding a grease interceptor or grease trap to the premises. In some instances, the landlord will pay this fee for the unit; in other instances it will be your responsibility.

4. These miscellaneous start-up costs are Straw Hat's best estimate of such costs as deposits for installation of telephones, deposits for gas, electricity and related items.

5. The cost of insurance may be significantly higher than the estimate depending on such factors as particular state coverage requirements, store location and your loss history. Workers' compensation insurance is not included in the above estimate.

6. These miscellaneous start-up costs are Straw Hat's best estimate of initial working capital and initial employee payroll. You may have additional expenses in starting the business. Your actual costs will depend on your management skill, experience and business acumen, and your sales figures during the 3-month period, your ability to follow the Straw Hat system and local market and economic conditions. We based these estimates on our knowledge of start-up costs incurred by our franchisees together with estimates provided to us by approved vendors. However, these specifications are estimates only and may vary. Some expenses could be higher or lower than what is shown above.

7. We recommend that you obtain a beer & wine license to operate a Straw Hat Pizza restaurant. The estimate for a beer and wine license for a Straw Hat Pizza restaurant is approximately \$600 to \$2,000. You should investigate the cost of a liquor license in your geographic area.

8. If you already own or acquire an existing pizza restaurant, some parts of your existing business may meet our standards, in which case you will not incur the costs associated with those items. If you have questions about what aspects of your business will be acceptable to us, please inquire before signing the Franchise Agreement.

9. A patio or outdoor seating area is optional. You may choose to have a patio area if the space is included and/or allowed by your lease for your location. Our estimate is for the furniture for your patio space, but if you choose to enclose your patio or otherwise enhance it, your costs will exceed our estimate. Liquor licenses in California are currently extended to outside seating but this may change in the future. You should also investigate whether you will incur additional insurance costs for a patio space.

10. We allow all owners the option to operate a food truck or food trailer. The cost of a food truck or food trailer will vary depending on the type of equipment you purchase. Our estimate is for the cost of a modest food truck or trailer and the additional estimated costs of insurance, but does not include the cost of a vehicle to tow a trailer. If you do not have a legal space to park your food truck or trailer, you may need to pay up to \$1,000 per month to rent a space large enough to store your truck or trailer.

**YOUR ESTIMATED INITIAL INVESTMENT FOR A MULTI-UNIT DEVELOPMENT
AGREEMENT (based on a development deal for three (3) units)**

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$30,000 Note 1	Lump Sum	At signing of Franchisee Agreement	Straw Hat
Cost to develop one Straw Hat Pizza restaurant (less initial franchise fee)	\$125,000 – \$1,548,000 Note 2	As Incurred	As Incurred	Third parties including vendors & suppliers
Total	\$155,000 to \$1,578,000 Note 3			

Notes:

1. This table is calculated to show the total initial franchise fee payable by a franchisee approved to develop three Straw Hat Pizza restaurants. This number will vary if you are approved to develop a different number of restaurants.

2. This is the total cost, listed in the first table in Item 7, minus the \$20,000 initial franchise fee.

3. This is the estimated total cost to develop your first Straw Hat Pizza restaurant.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your restaurant according to specifications and standards set forth in the System Manuals. These include specifications and standards for products, furniture, fixtures, equipment, decor, interior and exterior signage and trade dress. All specifications and standards can be modified by Straw Hat.

Required Purchases from Approved Suppliers

Following is a list of certain items, you will be required to purchase or lease from Straw Hat, through Straw Hat, and/or from other designated approved suppliers in order to ensure quality and consistency:

1. You must purchase proprietary food products from approved suppliers on an on-going basis.

2. You must purchase décor including interior and exterior signage and certain dough cutting rings through our approved suppliers.

3. You must purchase operational items from our approved suppliers including a mandatory computer system and kitchen equipment, which is described in detail in the System

Manuals, packaging including pizza boxes, utensils and other serving ware for dine-in and carry-out service, and related items.

4. The Franchisor requires you to purchase and use a POS system in your restaurant and to have an internet connection. Franchisor reserves the right to change POS vendor and may require franchisee to change to new system at their cost. More information about the required computer system is contained in the Item 11.

Other items may be purchased from any supplier so long as the items meet our standards and specifications as provided in our System Manuals.

None of our officers or directors own an interest in any of our approved suppliers.

Approval of Alternative Suppliers

From time to time, we may add approved suppliers to our list, or delete suppliers we no longer approve. You will receive a written notice each time our approved suppliers list changes. Our approval is conditioned on each supplier's ability to meet the specifications contained in our System Manuals. If you want us to consider approving a supplier that is not on our list, you must submit a written request, identifying the supplier you would like us to approve and what items they provide. In our discretion, we may require you to give us samples of their product at your own expense, or to pay the reasonable costs of evaluating the product. We will provide you with an estimate of anticipated expenses you would be required to bear if we elect to test any product.

In evaluating a supplier, we consider many factors, including (1) ability to provide standards and specifications including, but not limited to, producing our private brand label products, if any; (2) willingness to protect our proprietary information and trade secrets from disclosure and misappropriation; (3) production and delivery capability; (4) integrity to assure that association with a supplier will not bring ill will upon us; and (5) the financial solvency of the supplier. In addition, we evaluate reliability, quality, safety, business reputation, credit rating, and financial condition before approving a supplier. Failure to maintain our standards and specifications may result in the termination of a supplier's approved status and we reserve the right to revoke the approval of a supplier at any time.

You may not purchase the items restricted to our approved suppliers from any other suppliers, even if the items are or appear to be identical.

Revenue from Required Purchases

Some of our approved suppliers, advertising partners, and other vendors may provide monetary or in-kind rebates to us based on the volume of your purchases from them. At present, we have a rebate arrangement with several suppliers from whom you are required to purchase products, including many of our approved food suppliers, and our approved paper goods supplier. The rebates we are paid range between 1% and 7% from all but one of these suppliers. Our pizza box supplier pays us a rebate of up to 16% depending on the items you purchase from the supplier. In the future, we may negotiate for rebates which could take the form of either flat payments or percentage payments to us. We will use such rebates in our sole and absolute discretion, and may use them for our own operational expenses.

We will negotiate purchase arrangements with a supplier or suppliers to prepare and sell some proprietary menu items and other products to franchised Straw Hat restaurants. We also negotiate prices on various items for the benefit of all Straw Hat restaurants. The Franchisor tries to get favorable pricing terms from its vendors, but cannot promise that the pricing vendors agree to extend will be the lowest possible pricing. Also, vendor pricing and rebate programs can be changed or discontinued by vendors in the future.

Franchisees do not receive any material benefit or inducement from the Franchisor or its Affiliate for using designated or approved suppliers.

In 2022, Straw Hat received \$8,094 from the sale of items to Franchisees by Straw Hat and \$180,689 from manufacturers and suppliers.

Straw Hat does not receive any material benefit from any currently approved, distributor but may structure contracts to receive payments or benefits based on franchisee purchases in the future.

Cost of Required Purchases

Straw Hat estimates that your purchase of products and services from Straw Hat and suppliers recommended by Straw Hat will represent about 10% of your total purchases in establishing a new restaurant. Straw Hat estimates that such purchases will represent about 77% of your total purchases in operating your restaurant. The proportion of your purchases from Straw Hat and suppliers recommended by Straw Hat in establishing and operating your restaurant may vary widely from the given estimates.

There are no separate purchasing or distribution cooperatives within the Straw Hat at this time, however Straw Hat intends to pursue agreements with approved suppliers for system-wide discounts or special pricing. We do not provide material benefits to you based on your purchase of particular products or services or the use of particular suppliers.

Insurance

Insurance must include:

Workers' Compensation Coverage (Employer's liability) of \$1,000,000 or more; and Commercial General Liability written on an Occurrence basis.

Coverage must protect against demands or claims with respect to personal injury, death, or property damage.

Coverage must provide the following minimum limits:

(i) Occurrence Limit \$2,000,000 or \$1,000,000 with excess/umbrella coverage of no less than \$1,000,000.

(ii) Aggregate Limit \$3,000,000 or \$2,000,000 with excess/umbrella of no less than \$1,000,000.

(iii) Products/Completed Operations Aggregate Limit \$3,000,000 or \$2,000,000 with excess/umbrella limit of no less than \$1,000,000.

(iv) Broad Form Contractual Liability Limit \$2,000,000 or \$1,000,000 with excess/umbrella of no less than \$1,000,000.

(v) Liquor Liability \$2,000,000 or \$1,000,000 with excess/umbrella limit of no less than \$1,000,000 when serving any alcoholic beverages.

(vi) Non-Owned Auto Limit \$1,000,000 incidental coverage when store provides no delivery. With delivery \$2,000,000 or \$1,000,000 with excess/umbrella limit of no less than \$1,000,000.

(vii) Fire Legal Liability Limit \$1,000,000 required when not providing a minimum of \$1,000,000 building coverage through a Property policy.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Agreement / Multi-Unit Development Agreement (“MUDA”)	Item in Disclosure Document
a.	Site selection and acquisition/lease	5.1 - 5.3 MUDA 6(a)	Items 6 and 11
b.	Pre-opening purchases/leases	5.3 - 5.5	Items 8 and 16
c.	Site development and other pre-opening requirements	5.5 - 5.8 MUDA 6(a)	Items 5, 7, 9, and 11
d.	Initial and ongoing training	4.1 - 4.2	Items 2, 5, 7, 11,
e.	Opening	6.1	Items 5, 7, and 11
f.	Fees	8.1 - 8.7; 9.1 - 9.4 MUDA 5(a)	Items 5, 6, 7, & 16
g.	Compliance with standards and policies/System Manuals	6.5 - 6.14	Items 11, 14, & 17
h.	Trademarks and proprietary information	3.1 - 3.5	Items 1,11,13, & 14
i.	Restrictions on products/services offered	6.9	Items 8 and 16
j.	Warranty and customer service requirements	6.7, 6.14	Item 15

	Obligation	Section in Agreement / Multi-Unit Development Agreement (“MUDA”)	Item in Disclosure Document
k.	Territorial development and sales quotas	6.13 MUDA 2(a); Exhibit A	
l.	Ongoing product/service purchases	6.4, 6.9, 7	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	5.7 - 5.8	Items 11 and 17
n.	Insurance	14.3	Item 7
o.	Advertising	9.1 - 9.4	Items 6 and 11
p.	Indemnification	14.1 - 14.2 MUDA 12(b)	Item 13
q.	Owner's participation/management/staffing	6.2	Item 15
r.	Records/reports	8.5	Item 6
s.	Inspections/audits	8.3 - 8.5	Item 6
t.	Transfer	11.3 MUDA 7(c)	Items 5, 6, & 17
u.	Renewal	12.2 MUDA 4(b)	Item 17
v.	Post-termination obligations	13.1 - 13.2 MUDA 9(c)-(d)	Items 11 and 17
w.	Non-competition covenants	10.4 - 10.5 MUDA 8, 9(d)	Item 16
x.	Dispute resolution	15.8	Item 17
y.	Relocation of Restaurant	6.1(c)	Items 5 and 6

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your Note, lease or obligation.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, Straw Hat is not required to provide you with any assistance.

Pre-Opening Assistance

1. Straw Hat will connect you with a Real Estate Broker that will provide to you general guidance in selecting an appropriate location. (Franchise Agreement - Section 5.1(a)

2. Straw Hat will provide to you standards and requirement for the premises of your restaurant. (Franchise Agreement - Section 5.1(a)

3. Straw Hat will provide to you general plans and specifications for the design, décor, equipment, furnishings, layout, signage, and other incidentals specific to a Straw Hat restaurant. (Franchise Agreement - Section 5.5

4. Straw Hat will provide the initial training program. (Franchise Agreement - Section 4.1)

5. For your first restaurant, Straw Hat will provide the initial training program to you and the designated manager of your restaurant. (Franchise Agreement - Section 4.1(a)

6. Straw Hat will provide the initial training to one person per additional location. (Franchise Agreement - Section 4.1(b)

7. The initial training provided by Straw Hat will be at a Straw Hat Restaurant designated by the Franchisor and depending on the circumstances will last for approximately three weeks, six days a week. You will be responsible for paying all expenses for travel, room, board, and wages for all attendees of training. (Franchise Agreement - Section 4.1(c)

8. By completion of initial training, Straw Hat will provide you with the System Manuals. (Franchise Agreement - Section 4.5)

9. Straw Hat will provide opening assistance which will include consultation with you about the starting food inventory and grand opening advertising. (Franchise Agreement - Section 4.4)

Post-Opening Assistance

1. Straw Hat will send a representative to visit your franchise a minimum of two visits within 120 days of opening. After that, if you request additional visits, you must pay reasonable fees and Straw Hat's expenses in providing the additional support. (Franchise Agreement - Section 6.1(c)

2. During the term of your franchise agreement, Straw Hat may provide, at reasonable times and frequency as it determines in its sole discretion, periodic field visits to your restaurant by its representative to observe and provide consultation regarding the operation of your Straw Hat restaurant. Visits requested at your request will incur charges for which you are responsible. Straw Hat will provide you with an estimate of the cost in advance. (Franchise Agreement - Section 4.4)

3. Straw Hat may provide periodic seminars and/or materials for additional training and updates management techniques and other topics of interest to you and your managers. Straw Hat may charge separate fees for these seminars and/or materials. Additionally, it will be your responsibility to pay all travel, living and wage expenses you and/or your managers incur. (Franchise Agreement - Section 4.2)

4. Straw Hat may provide and/or periodic refresher training to you and your employees. Straw Hat may charge separate reasonable fees for refresher training and/or materials. Additionally, it will be your responsibility to pay all travel, living and wage expenses you and/or your managers incur. (Franchise Agreement - Section 4.2)

5. Straw Hat may update, change or supplement the System Manuals from time to time and will deliver them to you. (Franchise Agreement - Section 4.5)

6. Straw Hat may provide a website or intranet that may be used as a means of electronic mail and other communication among restaurants and Straw Hat. (Franchise Agreement - Section 4.7)

7. Straw Hat will designate or approve specific suppliers to provide products, equipment, goods or services. (Franchise Agreement - Section 6.4).

8. Straw Hat will provide you with reasonable guidelines and policies regarding pricing. (Franchise Agreement - Section 6.12).

9. Straw Hat may make purchasing arrangements with suppliers to provide Approved Products, equipment or other goods or services. (Franchise Agreement - Section 7.1)

10. Straw Hat will utilize Network Advertising Fee payments discussed in Item 6 for advertising and marketing on the behalf of the System. This advertising shall be to promote public awareness of the System generally. (Franchise Agreement - Section 9.1)

11. Straw Hat will provide to you once a year a balance sheet showing a summary of advertising revenues collected, distributed and accrued. (Franchise Agreement – Section 9.4)

Site Selection, Décor, and Certain Equipment

Before you open your restaurant, we will assist you with area and site selection, although you are primarily responsible for locating a site (Franchise Agreement Sections 5.1 and 5.4). Your site must meet with our approval before you can lease it (Franchise Agreement Section 5.1). We do not lease your site to you. You will be responsible for negotiating a lease for an approved site, although we may provide you with references to third parties who can assist you with lease negotiation at your expense, and we require certain terms to be included in your lease (Franchise Agreement Section 5.3).

In evaluating a proposed site, we take into account many factors including area demographics, visibility, general location and neighborhood, traffic patterns, parking size, layout and other physical characteristics of the site space. You will have 180 days from the date you sign the franchise agreement to locate an approved site (Franchise Agreement Section 5.1). If you are unable to locate a site acceptable to us within 180 days of the signing of the franchise agreement, we may terminate the franchise agreement (Franchise Agreement Section 12.3). Our acceptance of your site is not a recommendation, approval, or endorsement of it. (Franchise Agreement Section 5.4). You are responsible for leasehold improvements, including compliance with all local zoning and building ordinances, codes and permit requirements (Franchise Agreement Section 5.5).

We will designate the design and décor including color scheme and motif for your restaurant (Franchise Agreement Section 5.5). We will provide a review of your final plans and give our consent or provide you with a written summary of required changes to the plans within 15 days after you submit them to us for review (Franchise Agreement Section 5.5).

We will provide general plans and specifications for the equipment, fixtures and signage that you must have at your Straw Hat restaurant (Franchise Agreement 5.5). We will provide specifications to the vendor providing your signage and approve the final layout before it is implemented. We will assist you in placing your first product and smallwares orders. We will review and approve your menu board layout. For appropriate fees, we may provide some of these items to you ourselves, including priority cutting rings, carpet, booth and table package, dough sheeter. You must obtain other items from approved suppliers. You are responsible for delivery and installation of all equipment, fixtures and signage.

During the course of your construction, we will make periodic visits to your site to review your progress and help you ensure that the build out is conforming to your business plan and design, layout and equipment specifications. We will provide written consent to open when your construction is completed and conforms to our standards (Franchise Agreement Section 6.1).

Typical Length of Time to Open Your Business

You should expect it to take 8 to 12 months between the time you sign a franchise agreement and the time your Straw Hat restaurant is ready to open. However, you must open for business no later than eighteen (18) months after signing the franchise agreement (Franchise Agreement Section 6.1). The precise time period depends on your ability to complete area and site selection and approval, secure financing, find an architect, complete satisfactory plans, comply with local requirements for permit approvals, obtain a liquor license, and complete inspections. Your time to open may be adversely affected by construction delays, weather, zoning standards and other local ordinances, and equipment sourcing problems, among other factors.

As of the date of this Disclosure Document, it is highly likely to experience delays in construction due to the impact on supply chains, labor and transportation from the Covid-19 pandemic. We are observing shortages in laborers to build out the site and also a lack of availability of construction materials. Some equipment currently has six month or longer wait times for availability including but not limited to pizza ovens, pizza make tables, and dough mixers. You will be able to open as expected if you place orders promptly.

If you sign a Multi-Unit Development Agreement, we will give you five (5) years to open the first three locations, and we will grant one additional year for each additional restaurant you commit to open.

Advertising Programs and Funds

Straw Hat has implemented a Network Advertising Fund ("Advertising Fund"). All franchisees must contribute to the Advertising Fund. You will be required to contribute One Percent (1%) of your Adjusted Gross Sales per week. We have the right to increase your contribution up to a maximum of Three Percent (3%) of your Adjusted Gross Sales per week. We will only do so with 90 days prior written notice to you.

At the time of this Disclosure Document, there are no Company-owned restaurants. Company-owned restaurants are required to participate and contribute to the Advertising Fund on the same basis as franchisees.

Straw Hat administers the advertising program and the advertising fund where your Advertising Fees are deposited. We have a full-time marketing representative on staff who is responsible for creating the artwork, designs, advertising, mailers and other materials you may use in your Straw Hat advertising and who runs promotions on behalf of the brand. The salary is paid through the advertising fund. We may use up to one-third of the advertising fees collected to pay for administrative expenses, including reimbursement of our own reasonable expenses in administering the advertising fund.

In the 2022 fiscal year, the Advertising Fund collected \$155,847 in marketing fees from franchisees. It also had \$73,046 in marketing reserves that rolled forward from a prior fiscal year. In 2022, Straw Hat used this money as follows:

Expenditure	Percent of 2022 Contributions	Percent of Total Fund
In-house and Third Party Marketing	56.28%	38.32%
Website maintenance, printing and mailers	28.65%	19.51%
Administrative expenses (supplies, phone/wi-fi, postage, etc.)	11.63%	7.92%

The Advertising Fund is not audited. Upon request, we will provide a balance sheet to you once a year showing a summary accounting of the monies collected and distributed from the Advertising Fund.

We are not obligated to spend any particular amount of the Advertising Fund in your area or on your Restaurant, and in the future we may spend none in your immediate vicinity. Our advertisements may be placed either locally, regionally, or nationally, although we are most likely to spend Advertising Fund monies on production of marketing and on local advertising at present.

We require you to advertise in your local area and spend 2% of your net sales on local store marketing. We will provide you with available advertising material that you have permission to use, or you may develop your own advertising materials at your expense. Your advertising materials must be approved by Straw Hat. We will respond to any written request for approval of advertising materials within 10 days.

Other than the Advertising Fund referenced above, you are not presently required to participate in any other advertising fund. In the future we may create a national advertising council of franchisees that advises Straw Hat about advertising decisions ("Franchisee Ad Council"). The Franchisee Ad Council is comprised of three franchisees appointed by a vote of all franchisees in good standing. Good standing means that the monthly fees are current, invoices to the Company are current, owner of an opened and operating store, and store operation meets minimum

requirement of 80% store inspection. New members may be appointed to the Franchisee Ad Council once a year. The Franchisee Ad Council is only advisory, and has no final decision making power regarding the administration of the Advertising Fund. We retain the right to dissolve the Franchisee Ad Council in our discretion.

You are not required to participate in any local or regional advertising cooperative, and no such cooperatives currently exist.

We reserve the right to allow Advertising Fund contributions to accumulate, and we may not spend all Advertising Fund monies collected in a calendar year. Any money not spent in a calendar year will be retained until we determine that there is an appropriate advertising use for those monies, in our sole discretion.

We do not use Advertising Fund contributions to solicit new franchise sales, although we reserve the right to include a short statement about how a prospective franchisee may contact us for more information about franchise opportunities as a minor part of an advertisement to customers, including as one tab in a website, or a single sentence in a print advertisement.

Computer Purchases

Straw Hat offers an intranet communications system for use by all franchisees and relies on its intranet system to deliver critical services, support and materials to you. You must have a valid Internet email address. You must also have computer hardware and software that allows you to access the Internet in order to receive these services, support and materials.

We require you to have an electronic cash register and point of sale ("POS") computer system in your Straw Hat restaurant provided by an approved vendor Systems in order to maintain a customer database, dispatch deliveries, define your delivery territory, generate weekly, monthly and yearly sales and menu reports, track expenses including labor and inventory, and report your sales and other information to us.

We also require you to participate in online ordering. You must use our vendor, currently Freshbytes, which provides web ordering services and web ordering applications for iPhone and Android devices. The cost is \$90 per month if you pay annually, or \$130 per month if you pay monthly. Freshbytes will provide a tablet for your location, but you may be required to purchase a receipt printer to accompany the system. A receipt printer will cost \$250 - \$400, and you may purchase one that meets the required specifications from any vendor you choose.

You may purchase the required equipment for \$6,000 to \$25,000. You will be required to maintain the systems according to our specifications. There may be periodic upgrades issued by our POS vendor. These upgrades and maintenance may cost you \$1,200 to \$4,800 per year. We have the right to access the information stored in your computer systems at any time and without advanced notice to you.

System Manuals and Training

The Table of Content for our Operations Manual is attached as Exhibit F.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Training On the Job	Location
Operations Training(including orientation, general safety and security, food safety and sanitation, beverage service, maintenance, build-to system, inventory, dough rolling and product preparation and make-up, opening and closing procedures, delivery of product, cashiering and guest services, point of sale computer system, order-taking, delivery procedures and final written exam	10	15	Nearest training restaurant. As of the date of this Disclosure Document Straw Hat has one training restaurant located in California.
On-the-Job Training(work as an employee in a Straw Hat Pizza restaurant in the areas of beverage service, dough rolling, food preparation, cashiering, guest service, delivery, shift supervision and closing procedures)	20	95	Nearest training restaurant. As of the date of this Disclosure Document Straw Hat has one training restaurant located in California..
Operations Certification (Job skills evaluation)	10	0	Nearest training restaurant. As of the date of this Disclosure Document Straw Hat has one training restaurant located in California.
Classroom Management Training (including leadership development, scheduling, finance and accounting, marketing, labor and employee development)	30	0	Nearest training restaurant. As of the date of this Disclosure Document Straw Hat has one training restaurant located in California.

Straw Hat conducts a training program for all new franchisees, which last three weeks, six days a week. Trainings currently are held on an as needed basis. The training is conducted at the nearest Straw Hat training restaurant. As of the date of this Disclosure Document, Straw Hat has one training restaurant located in California. Currently, training will be conducted by a group of

volunteer owners in our system who have owned and operated their Straw Hat restaurants more than one year and by staff who have been with us at least three (3) years.

This initial training for two attendees (yourself and one designated manager of the store) is provided without charge, except for purchasers of existing units who do not pay us an initial franchise fee and who therefore must pay us a training fee. If you wish to send additional attendees to initial training, or if you are purchasing an existing location as a transferee, you will be charged \$5,000 for each attendee. If you wish to have additional personnel trained after the initial training or if any person requires re-training, you will be required to pay \$5,000 per attendee.

Training takes place in one of our designated training stores, currently located in California. You are responsible for the cost of travel and accommodations for yourself and any other attendees.

You must complete the training and pass the exam 60 days prior to opening your Straw Hat restaurant. You must complete the training to Straw Hat's satisfaction and pass a final exam on the matters for which you received training with a score of 80% or better.

It is your responsibility to ensure that all managers and employees in your restaurant are trained in our systems and procedures and that our systems and procedures are utilized in your restaurant. We may periodically visit your restaurant to ensure that you are in compliance with our systems, procedures and standards.

ITEM 12. TERRITORY

Single Restaurant

The franchise is not granted for a specific location unless you are purchasing an existing Straw Hat restaurant. Development rights are granted for a defined area (the "Territory"). 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. Unless stated in the franchise agreement, you will be granted the right to operate one restaurant in your Territory. You will determine and select the exact location of the restaurant within this Territory subject to our approval. Additional franchises may be added only with the signing of additional franchise agreements.

Your Territory will be based on an assigned area which you can serve with deliveries. It will be determined based on population density, demographics, quality control, geography, and other operational considerations and will be determined at the time you sign the Franchise Agreement.

There are no restrictions in the Franchise Agreement on the right of Straw Hat or its Affiliate to solicit orders from consumers within your Territory whether under the Straw Hat trademarks or other brands. Neither Straw Hat nor its Affiliate currently operate or franchise the operation of, or have any current plans or policies to operate or franchise the operation of, any business selling goods or services similar to or competitive with those to be offered for sale or lease by you in another channel of distribution or under trade names or trademarks different from those to be granted to you within the Territories of our franchisees. However, we reserve the right to acquire or build such brands in the future, and to sell through the internet, catalog sales, grocery

store sales, or direct marketing within your territory, using either our principal marks licensed to you, or other marks owned by us. We would not be obligated to pay you in order to do so.

We do not control where a customer orders from on third-party delivery platforms. It is possible that a customer in your territory will order from a restaurant that is farther away, either intentionally or accidentally. We have no control over this and we do not compensate you or require another franchisee to compensate you if this occurs.

We will not locate any other Straw Hat restaurants within your Territory without your written consent, except that we may put a Straw Hat restaurant into a Non-Traditional Location. We may sell goods within your Territory through other channels of distribution, such as the sale of branded goods over the internet, catalogues, or in supermarkets.

In some instances, we may alter your Territory during the course of your franchise term. This may happen where there is a demographic or geographic change in your Territory. We may adjust the boundaries of your Territory to account for changes in vehicular traffic patterns, Straw Hat's quality assurance guidelines and for other operational reasons. We will not adjust these boundaries in order to open or acquire another Straw Hat Pizza restaurant, or any other business whose primary objective is the sale of pizza, in your Territory or a nearby area.

We may grant you the right to relocate your franchise provided you relocate within your territory and where relocation will not have a negative impact on the strength or service of the Straw Hat system, including your ability to deliver within your territory. Written approval and a general release will be required before any relocation will be granted.

You may advertise outside of your Territory as long as you are targeting a zip code or route that is partially within your Territory. Similarly, other franchisees may advertise within your Territory.

You must offer delivery services from your restaurant within your Territory. You may, but are not required to, offer delivery services outside of your Territory. You may use a 3rd Party to provide delivery service either in conjunction with or instead of using your own employees to deliver. You may also offer catering outside of your Territory and participate in temporary regional events such as fairs, concerts or festivals outside of your Territory. Similarly, other franchisees may deliver into or participate in events taking place within your Territory.

The franchise agreement states you may offer and sell only Approved Products through the Franchised Business. You may not sell Approved Products at wholesale, through catalogs, mail order or over the Internet and all off-site sales, including sales made through booths, kiosks or other similar off-site locations, except as otherwise described in this Item, or as we expressly authorize. We have discretion in what action to take in response to franchisee violations of these prohibitions and policies.

Multi-Unit Developers

If you sign a Multi-Unit Development Agreement, we will grant you a territory large enough to encompass all of the restaurants you have committed to develop. As you develop each individual restaurant, we will identify an individual Territory for that restaurant.

Once you have developed all of the restaurants under your Multi-Unit Development Agreement, or at the end of the term or other termination of the Multi-Unit Development Agreement, whichever comes first, your rights in the territory granted under the Multi-Unit Development Agreement will end. You will retain only the Territories granted under each individual franchise agreement. If you have fully complied with the terms of the Multi-Unit Development Agreement, and we determine that the area in which you developed restaurants could support additional restaurants, and we conclude that you have the financial and operational capability to develop additional restaurants, we will give you a right of first refusal to agree to develop additional restaurants which you must exercise within 30 days by signing a new Multi-Unit Development Agreement and paying all required fees due at that time.

ITEM 13. TRADEMARKS

We own the following Trademarks on the Principal Register of the United States Patent and Trademark Office ("PTO"). These are the principal marks used by Straw Hat Pizza restaurants. All required affidavits and renewals have or will be filed for these marks.

Trademark	Registration Date	Registration Number
STRAW HAT PIZZA	October 3, 1978	1,103,644
STRAW HAT PIZZA And Design	October 17, 1978	1,104,542
Triangle Design	March 31, 1981	1,150,087
GENUINE CALIFORNIA PIZZA And Design	October 8, 2002	2,631,260

In addition to the above-referenced Principal Marks that will identify the Straw Hat Pizza restaurants, we have registered the mark "MEAT-E-OR" (Registration No. 2,713,085) and "HOT HAT" (Registration No. 3,313,655) on the principal register of the PTO for various specialty menu items. We may elect to adopt and register additional marks from time to time in our discretion.

There are presently no effective determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court relating to the principal marks. There are no pending infringement, opposition or cancellation proceedings or material litigation involving any of the principal marks which are relevant to their use in any state.

Depending on the restaurant concept, your ability to use all of the above-referenced marks may be limited. You should review the franchise agreement for the concept you wish to develop to determine what limitations may exist.

You must notify us if you become aware of any unauthorized use of the Marks or a colorable imitation of the Marks, or if litigation involving the Marks is instituted or threatened against you, and to cooperate fully with us in this regard.

We intend to take all steps reasonably necessary to preserve and protect the ownership and validity of the Marks. However, we are not expressly obligated by the Franchise Agreement to protect any rights granted to you to use the Marks, or to defend you against any claim of

infringement or unfair competition. We have the right to control any litigation concerning the Marks.

In the event of any trademark or unfair competition lawsuits brought against you arising from use of the licensed marks, provided that your use of the marks is consistent with our guidelines and restrictions, we may, but are not required to, defend and indemnify you. Alternatively, we may direct you to change your use of the mark in question to one or more marks of our choosing.

There may be other users of the name "Straw Hat" or variations for restaurants, lounges, and similar businesses. Of these users, some may have rights superior to ours in their respective limited geographic areas and may be able to prevent us from entering their geographic areas. Franchisees are required to notify Straw Hat of infringing use of the marks. At our sole discretion, we may investigate any users of names or marks the same as or similar to ours and take steps to assert our rights against any infringers.

We are not aware of any prior users or infringers that could materially affect your rights to use the Principal Marks in the state where your business will be located, but we cannot rule out the possibility of a conflict. There may be other restaurant-related uses of the name "Straw Hat" of which we are not currently aware, and which may be superior or inferior to our rights to that name. We may from time to time modify the Trademarks, develop new Trademarks, or discontinue certain Trademarks. You at your own expense must comply with any changes in the Trademarks which we implement. The Franchise Agreement does not require Straw Hat to offer new or revised Trademarks to you without new or additional consideration.

You may use the Trademarks only as permitted by the Franchise Agreement and must follow all requirements for use of them as stated in the System Manuals. You may not use any marks other than the Trademarks in connection with the Straw Hat Pizza restaurants. All use of the Trademarks, and any resulting goodwill is our sole property.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents material to the franchise. We own copyrights in the System Manuals and related materials although these materials have not been registered with the United States Registrar of Copyrights. We also own copyrights in a variety of radio and television commercials, manuals, and reports. You may use these copyrighted materials to operate the franchised unit restaurant without additional charge, except that you have to purchase and pay for the materials containing them (e.g., signs and posters).

We possess and may develop and acquire certain confidential and proprietary information and trade secrets consisting of (1) business methods, techniques, standards, procedures and formats of the System; (2) policies, procedures, information, concepts, systems and knowledge of and experience in the development, operation and franchising of Straw Hat restaurants; (3) recipes, menu preparation and selection and combination of food items; (4) marketing programs for Straw Hat restaurants; and (5) knowledge and specifications for and suppliers of certain materials, furniture, fixtures, furnishings, equipment, signs and decor for Straw Hat restaurants (collectively the "Confidential Information").

We will disclose to you the Confidential Information in the Manuals and in guidance and assistance furnished to you during the term of the Franchise Agreement. You will not acquire any interest in the Confidential Information and the use of the Confidential Information in any other business would constitute an unfair method of competition with us and other Straw Hat restaurants. The Confidential Information belongs to us, contains trade secrets belonging to us and is disclosed to you and authorized for use solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of the Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, physical or electronic form; and (4) will adopt and implement all reasonable procedures of the Franchisor's to prevent unauthorized use or disclosure of or access to the Confidential Information.

You may use this information only as provided in the Franchise Agreement. You may not use our confidential information in any unauthorized manner. You are strictly responsible for any unauthorized use or disclosure of our confidential information by your owners or your management personnel and must use best efforts to prevent its unauthorized use or disclosure by other employees, agents or contractors. You must obtain from all employees and contractors, upon their engagement, signed confidentiality agreements in a form satisfactory to us.

There are no administrative or judicial determinations relating to the common law copyrights, nor any agreements that limit the use of them. We are not obligated to protect these copyrights. We are not obligated to defend or indemnify you if you are made a party to any proceeding because of the common law copyrights.

There are no infringing uses actually known to the Franchisor that would materially affect your use of the Confidential Information.

You are encouraged to bring your own ideas and suggestions to us for implementation, which will require our prior written approval. However, a condition of our approval will be your agreement to share what we have learned from you with our other stores, in order to enhance the consistency of our brand and system. Accordingly, you agree that any patent, copyright, or other interest in your ideas will be assigned to us, which we will in turn license back to you.

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

Although the Franchise Agreement does not require you to participate personally in the direct operation of the restaurant, each of your Straw Hat restaurants must be under the direct on-premises supervision of trained and competent managers. The managers will have primary responsibility for the operations of the Straw Hat restaurant, and must devote their full time, energy and best efforts to the management and operation of the Straw Hat restaurant.

You are required to keep your Straw Hat restaurant open for business during the set hours of operation which are specified in our System Manuals and which may be changed from time to time in our discretion. You must have a manager on site at your Straw Hat restaurant at all times when your Straw Hat restaurant is open for business.

You are responsible for recruiting and hiring managers for each of your Straw Hat restaurants, subject to our approval. We will not be liable for the approval or disapproval of any candidate or manager of one of your Straw Hat restaurants. Each manager must successfully complete our training program. Each manager must execute a confidentiality agreement in a form satisfactory to Straw Hat to protect our confidential information, a copy of which must be sent to Straw Hat.

If the franchisee is anything other than a natural person, all individuals with an equity interest in the franchise must execute a personal guaranty (Exhibit E), providing for joint and several liability for each and every obligation created under the Franchise Agreement (Section 15.11). In addition, if you are married, your spouse will be required to sign the Spousal Consent and Waiver (Exhibit K), providing that he or she understands and agrees to waive any community property rights in the franchise.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not operate a ghost kitchen or ghost brand from your Straw Hat Pizza business. Other than with our prior written consent, you may not operate a co-branded business and we have sole discretion regarding whether or not to permit any co-branding arrangement you propose.

You must offer for sale and sell all and only the food, beverages and other products described in the System Manuals. We may in our sole discretion revise the Systems Manuals, including the approved products, in order to adapt the Straw Hat restaurants to consumer needs, respond to competitor's actions, protect and enhance the reputation of the chain, expand and enhance the appeal of the food served or improve any aspect of operation. You must offer and sell only our approved menu. Approved menu items are set forth in writing by Straw Hat and are changed from time to time in our sole discretion and may differ somewhat between restaurants, depending on the market. If you wish to offer any other menu items, including permanent additions and limited time offers, specials or promotions that may or may not appear on the menu, they must be reviewed and approved by Straw Hat in advance. Straw Hat may grant or deny approval in its sole discretion. Item 8 above describes restrictions on goods which may be sourced and incorporated into the goods and services offered by you at the Straw Hat restaurant.

You may only engage in sales of approved goods and services at the restaurant to consumers for on-site or carry out consumption, provided that you may provide catering and delivery services if they are rendered in accordance with all standards established by us for such services. You may not establish or use other locations, such as kiosks or concession stands, for the sale of any goods or services and may not sell any products to another party for resale without our permission.

Video and audio entertainment and vending equipment is permitted at your Straw Hat restaurant. Straw Hat has the right to prior approval and oversight of your installation and use of entertainment equipment and to prohibit the use of any particular equipment if Straw Hat determines that the machines are detrimental to its image.

Straw Hat may also limit the food and beverage products that you may deliver. Alcoholic beverages may be delivered as allowed by your Alcohol Beverage Commission License.

**ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP**

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

	PROVISION	AGREEMENT SECTION	SUMMARY
a.	Term of Franchise	2.1 MUDA 4(a)	<p>For a new restaurant, 10 years after the restaurant opens for business. If you acquire existing franchisee, the term is the transferor's remaining term or the remaining term of the lease (if shorter). If restaurant closes due to act of God for at least 60 days, but not more than 365 days, may apply for an extension of the term of the Franchise Agreement within 60 days following the reopening of the restaurant. If the term of the Franchise Agreement has expired and Straw Hat has extended it, the term will be 10 years less the time since prior Franchise Agreement has expired.</p> <p>If you sign a Multi-Unit Development Agreement ("MUDA"), the term will be 5 years for development of 3 restaurants, plus one year for each additional restaurant to be developed.</p>
b.	Renewal or extension of term	12.2 MUDA 4(b)	<p>Meet certain conditions, can renew for 10 years or for the remaining term of the lease or sublease (including option periods), whichever is less on the same terms. After that, if you meet certain conditions, you can renew on terms offered by the then-current terms of the franchise agreement offered by Straw Hat.</p> <p>If you sign a MUDA, there is no right of renewal.</p>
c.	Requirements for you to renew or extend	12.2	You must: (i) give written notice of election to renew 6-12 months before term expires; (ii) not be in default of any material provision of the Franchise Agreement or any amendments; (iii) on effective date of renew, maintain the restaurant and contents must be in first-class condition and repair,

	PROVISION	AGREEMENT SECTION	SUMMARY
			premises must be clean, neat, sanitary, adequately lighted and appear as a clean, wholesome and sanitary environment, reasonable repairs must be made, employees must be clean and neat in appearance; (iv) be current with monetary obligations; (v) pay \$10,000 to offset Straw Hat's expenses of renewal; (vi) sign a general release with Straw Hat which releases the other from all claims that are known or reasonably have been known (the release will not include claims by third parties that are subject to indemnification); (vii) furnish Straw Hat with a copy of lease for the premises demonstrating that your right and ability to possess the premises is assured for the renewal term; and (viii) make any improvements and alterations to the restaurant which Straw Hat reasonably requires to meet its specifications; and (ix) execute Straw Hat's then-current form of franchise agreement which may contain materially different terms.
d.	Termination by you	12.5	You can terminate if Straw Hat materially defaults and you do not cure any default after you send notice.
e.	Termination by Franchisor without cause	Not Applicable	Upon dissolution of Straw Hat.
f.	Termination by Franchisor with cause	12.3 - 12.4 MUDA 9(a)-(b)	Straw Hat can terminate if you default or if events described in sections (g) or (h) occur. If you sign a MUDA, Straw Hat can terminate for any material breach by you, or for termination by you of any other agreement between you and Straw Hat.
g.	"Cause" defined-defaults which can be cured	12.4	You will receive 10 days' notice to cure any breach of the Franchise Agreement other than those described in section (h), below. Your agreement will also end if you do not elect to renew it at least 180 days prior to

	PROVISION	AGREEMENT SECTION	SUMMARY
			the end of your term, or if you are not eligible for renewal.
h.	"Cause" defined-defaults which cannot be cured	12.3	Non-curable default include failure to find a suitable Premises within 180 days; failure to open with 18 months of the effectiveness date of the franchise agreement; failure to reopen after damage or to repair damage; abandonment for five (5) or more days; failure to complete initial training; bankruptcy or insolvency; seizure of your business by any third party; criminal connection; three (3) or more breaches of the Agreement within one year or repetition of a cured breach; unapproved transfer; and material misrepresentation in the franchise application.
i.	Your obligations on termination or nonrenewal	13.1 - 13.2 MUDA 9(c)-(d)	Obligations include complete de-identification, including ceasing to use telephone numbers used while operating as a Straw Hat, return of System Manuals, providing all of your customer lists to Straw Hat, and payment of amounts due. Straw Hat has the right to enter your franchise and to complete the de-identification obligations itself. If you sign a MUDA, termination of the MUDA will end your right to develop further restaurants, and you will also be prohibited from competing with Straw Hat for a period of 2 years after the termination.
j.	Assignment of contract by Franchisor	11.1	Straw Hat may transfer the Franchise Agreement to any other party.
k.	"Transfer" by you - definition	11.5 MUDA 7(c)	You may transfer by selling your franchise to an approved person or entity, and must pay required Transfer Fees and all amounts owed under your Franchise Agreement up to the date of transfer. If you sign a MUDA, you may only transfer if the assignee meets all of our criteria and

	PROVISION	AGREEMENT SECTION	SUMMARY
			they take over all of your restaurants, you or they pay all transfer fees and other amounts owed to Straw Hat, and you sign a general release.
l.	Franchisor's approval of transfer by franchisee	11.5 MUDA 7(c)(ii)(1)	If Straw Hat declines its right of first refusal and you comply with conditions for transfer including paying a transfer fee, you may transfer. If you sign a MUDA, if Straw Hat declines its right of first refusal, you may only transfer if the assignee meets all of our criteria and they take over all of your restaurants, you or they pay all transfer fees and other amounts owed to Straw Hat, and you sign a general release.
m.	Conditions for Franchisor approval of transfer	11.3 MUDA 7(c)(ii)	Prior written approval from Straw Hat is required for any transfer. In making its decision, Straw Hat can take any legitimate business considerations into account in withholding approval, and will only consider approving the following transfers: (i) to an entity in which you are the control person; (ii) to an individual who meets Straw Hat's requirements for a transferee; (iii) to an entity controlled by a person who meets Straw Hat's requirements; (iv) if it involves less than 50% of the franchisee's equity and the control person is the same (however, the transferee must be of good character, must not be involved in a competing business and must sign a confidentiality agreement); or (v) to an immediate family member. If you sign a MUDA, you must have prior written approval from Straw Hat to transfer and you must enter into a written agreement to transfer, pay all fees due to Straw Hat including a \$2,500 transfer fee, execute a general release, not be in default, and assignee must guarantee the obligations of the franchise.

	PROVISION	AGREEMENT SECTION	SUMMARY
n.	Franchisor's right of first refusal to acquire your business	11.6 MUDA 7(d)	<p>Straw Hat has an option to purchase your business on the same terms and conditions of any offer accepted by you, except if the transfer is to a member of the immediate family, a qualified retirement plan, an estate trust, or to an existing equity holder of the franchisee if certain conditions are met. Straw Hat cannot acquire an equity interest in an entity that is a franchisee. It can, however, acquire the equivalent interest in the assets of your restaurant, including the right to control the entity. Franchisee would then have the option to require Straw Hat to purchase all of the assets of the restaurant for a price based on an extension of the purchase price originally proposed.</p> <p>If you sign a MUDA, Straw Hat has a right to purchase your business on the same terms proposed for an assignment of a full or partial interest.</p>
o.	Franchisor's option to purchase your business	13.3	On expiration or termination of the franchise, Straw Hat has a 60- day time period in which to purchase your equipment, furnishings, fixtures, signs, inventory, leasehold or building and real estate, and improvement and other real or personal property or any portion thereof for a sum equal to fair market value of such property. Straw Hat will not pay for intangible assets including, but not limited to, good will.
p.	Your death or disability	11.4	For up to 120 days after your death, your surviving spouse, heirs, or representatives may participate in the ownership and operation of the franchise according to the terms of the franchise agreement. After 120 days, they must either pass the Straw Hat initial training program and satisfy all of Straw Hat's then-current qualifications and requirements of new franchisees, or sell the franchise to an entity or individual approved by Straw Hat.
q.	Non-competition	10.4 - 10.5	You may not engage in any other pizza or

	PROVISION	AGREEMENT SECTION	SUMMARY
	covenants during term of franchise	MUDA 8(a)	<p>similar operation during term of the Franchise Agreement without the prior written permission of Straw Hat. Immediate family members may not compete in a similar operation for one year from the date of store opening.</p> <p>If you sign a MUDA, you may not engage in any other pizza or similar operation during the term of the MUDA without the prior written permission of Straw Hat.</p>
r.	Noncompetition covenants after franchise is terminated or expires	Not Applicable MUDA 9(d)	<p>None.</p> <p>If you sign a MUDA, you agree not to engage in any other pizza or similar operation for a period of two years after the termination of the MUDA. This provision may not be enforceable in all jurisdictions.</p>
s.	Modification of Agreement	15.9	No modification except in writing. Later changes to the System Manual or other publications of Straw Hat will not alter the rights and obligations of the parties under the Franchise Agreement.
t.	Integration, merger clauses	15.9 MUDA 12(i)	<p>Only the terms of Franchise Agreement are binding (subject to state law). Nothing in the Franchise Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.</p> <p>If you sign a MUDA, the terms of the MUDA contain all of the agreement and no other discussions or information are part of the agreement. Nothing in the MUDA is intended to disclaim the representations we made in the FDD we furnished to you.</p>
u.	Dispute resolution by arbitration or mediation	15.8	Non-binding mediation initially required. If the dispute is not resolved with non-binding mediation, or if a party refuses to mediate, then the parties may proceed to court.
v.	Choice of forum	15.8	Except for claims arising under the Illinois Franchise Disclosure Law, Superior Courts

	PROVISION	AGREEMENT SECTION	SUMMARY
		MUDA 11(a)	<p>of the County of Contra Costa, California, except unlawful detainer actions which may be filed where the restaurant is located.</p> <p>If you sign a MUDA, you agree that any claims must be brought in the state of federal courts in the jurisdiction where Straw Hat has its principle place of business, currently Contra Costa County, California.</p>
w.	Choice of law	15.8	Except for claims arising under the Illinois Franchise Disclosure Law, California law applies (subject to state law).

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchises.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We have no corporate-owned locations. We disclose information for 2021 and 2022 Adjusted Gross Sales in franchisee-owned units, as follows. Adjusted Gross Sales are calculated Adjusted Gross Sales are defined as gross sales after sales tax, promotions and discounts.

Franchisee-Owned Straw Hat Pizza Restaurants: 2021

Straw Hat Pizza restaurants generated average Adjusted Gross Sales of \$547,033 in 2021, as reported by 24 locations that were open for 12 months in the year ending Dec. 31, 2021 (Note 1). The highest reported Adjusted Gross Sales were \$1,176,848 and the lowest was \$256,181.

2021 Annual Sales Level-Range

Franchisee Restaurants

\$1,000,000-\$1,499,999	1
\$750,000-\$999,999	4
\$600,000-\$749,999	3
\$500,000-\$599,999	3

2021 Annual Sales Level-Range	Franchisee Restaurants
\$300,000-\$499,999	11
Below \$300,000	2
Total	24
Average Sales	\$547,033 (10 units met or exceeded the average)
Median Annual Sales	\$461,114

Note 1: The disclosure includes all locations that were open for the full year 2021. It does not include any location that permanently closed or that opened during the year. This includes smaller square footage locations that are non-traditional as well as three Grille concept locations.

Franchisee-owned Straw Hat Pizza Restaurants: 2022

Straw Hat Pizza restaurants generated average Adjusted Gross Sales of \$551,535 in 2022, as reported by 27 locations that were open for 12 months in the year ending Dec. 31, 2022 (Note 2). The highest reported Adjusted Gross Sales were \$1,454,085 and the lowest was \$156,306.

2022 Annual Sales Level-Range	Franchisee Restaurants
\$1,000,000-\$1,499,999	4
\$750,000-\$999,999	2
\$600,000-\$749,999	3
\$500,000-\$599,999	3
\$300,000-\$499,999	9
Below \$300,000	6
Total	27
Average Sales	\$551,535 (10 units met or exceeded the average)
Median Annual Sales	\$471,672

Note 2: The disclosure includes all locations that were open for the full year 2022. It does not include any location that permanently closed or that opened during the year. This includes smaller square footage locations that are non-traditional as well as three Grille concept locations.

Franchisee-Owned Restaurant Year-Over-Year Sales Growth or Reduction

2022 v 2021 Annual Sales Growth -Range	Franchisee Restaurants
25.00% or more	4

2022 v 2021 Annual Sales Growth -Range	Franchisee Restaurants
10.00%-24.99%	5
5.00%-9.99%	3
0.00%-4.99%	3
-10.00%--0.01%	3
Below -10.00%	6
Total	24
Average Sales Growth	5.17% (12 units met or exceeded the average)
Median Annual Sales Growth	5.34%

Note 3: The disclosure above includes all locations that were open for the full year in 2021 and 2022. It does not include any location that permanently closed or that opened during these two years. This includes smaller food print locations that are non-traditional as well as three Grille concept locations.

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

To make the financial performance representation in this Item 19, we relied on revenue information reported to us by franchisees. We have not audited or verified this information. Written substantiation of the data used in preparing this financial performance representation will be made available to you as a prospective franchisee upon reasonable written request.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-Wide Outlet Summary
For The Fiscal Years of 2020, 2021 and 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	23	26	3
	2021	26	28	2
	2022	28	29	1
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total	2020	23	26	3
	2021	26	28	2
	2022	28	29	1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For the
Fiscal Years of 2020, 2021 and 2022

State	Year	Number of Transfers
California	2020	2
	2021	0
	2022	1
Total	2020	2
	2021	0
	2022	1

Table No. 3
Status Of Franchised Outlets
For The Fiscal Years of 2020, 2021 and 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
CA	2020	22	4	0	0	0	0	26
	2021	26	3	0	1	0	0	28
	2022	28	1	0	0	0	0	29
NV	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
TOTAL	2020	23	4	1	0	0	0	26
	2021	26	3	0	1	0	0	28
	2022	28	1	0	0	0	0	29

Please see Exhibit H for a List of Franchisees. Please see Exhibit I for a List of Former Franchisees.

In the last three years, no franchisees have signed confidentiality clauses that would restrict their ability to speak openly about their experience with the Straw Hat franchise system.

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

Table No. 4
Status of Company-Owned Outlets For Years 2020, 2021 and 2022

State	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
TOTAL	2020	0	0	0	0	0	0

2021	0	0	0	0	0	0
2022	0	0	0	0	0	0

Table No. 5
Projected New Franchised Outlets as of December 31, 2022

State	Franchise Agreement Signed Restaurant Not Open As Of December 31, 2022	Projected New Franchised Restaurants By The Next Fiscal Year (2023)	Projected Company Owned Openings Next Fiscal Year
California	0	0	0
TOTAL	0	0	0

Franchisee Groups

There are no franchisee organizations associated with this franchise system. The Franchise Agreements provide that Straw Hat may form an advisory franchisee ad council in the future, but such council has not yet been formed (Franchise Agreements Section 9.3).

ITEM 21. FINANCIAL STATEMENTS

The audited financial statements for the fiscal years ended December 31st of 2020, 2021 and 2022 are attached as Exhibit G. The fiscal year end of Straw Hat is December 31.

ITEM 22. CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit B	Franchisee Application
Exhibit C-1	Attestation to Financial Data and Authorization for Release of Personal Information
Exhibit D-1	Franchise Agreement for Straw Hat Pizza Restaurant
Exhibit D-2	Multi-Unit Development Agreement for Straw Hat Pizza Restaurant
Exhibit E	Guaranty of Franchise Agreement
Exhibit J	Electronic Debit Authorization Form
Exhibit K	Spousal Consent and Waiver Form

ITEM 23. RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit N. Please sign and date one copy and return it to us. Retain the other copy for your records.

EXHIBIT A

STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

STATE REGULATORS

California:

Department of Financial Protection and Innovation
1 Sansome Street, Suite 600
San Francisco, CA 94104
320 West 4th Street, Suite 750
Los Angeles, CA 90013
1515 K Street, Suite 200
Sacramento, CA 95814

Connecticut:

Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, CT 06103

Florida:

Dept. of Agriculture & Consumer Services
Division of Consumer Services
Rhodes Building
2005 Apalachee Parkway
Tallahassee, FL 32399-6500

Hawaii:

Dept. of Commerce & Consumer Affairs
Business Registration Division
King Kalakaua Building
335 Merchant Street
Honolulu, HI 96813

Illinois:

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

Indiana:

Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Kentucky:

Consumer Protection Division
Office of the Attorney General
1024 Capital Center Drive, P.O. Box 2000
Frankfort, KY 40602-2000

Maryland:

Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

Michigan:

Consumer Protection Division
Michigan Department of Attorney General
670 Law Building
Lansing, MI 48913

Minnesota:

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101

Nebraska:

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509

New York:

New York State Department of Law
Bureau of Investor Protection and
Securities
120 Broadway, 23rd Floor
New York, NY 10271

North Dakota:

Office of Securities Commissioner
600 East Boulevard, 5th Floor
Bismarck, ND 58505

South Dakota:

Department of Commerce and Regulation
Division of Securities
118 West Capitol Avenue
Pierre, SD 57501-2017

Wisconsin:

State of Wisconsin
Office of the Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703

Texas:

Secretary of State
Statutory Documents Section
1719 Brazos Street
Austin, TX 78701

Utah:

Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
P.O. Box 45804
Salt Lake City, UT 84114-6704

Virginia:

State Corporation Commission Division of
Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

Washington:

Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Room 300
Tumwater, WA 98501

Wisconsin:

State of Wisconsin
Office of the Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703

AGENTS FOR SERVICE OF PROCESS

Alabama:

The Corporation Company
60 Commerce Street
Montgomery, AL 36104

Alaska:

CT Corporation System
801 W. 10th Street
Suite 300
Juneau, AK 99801-1878

Arizona:

CT Corporation System
3225 North Central Avenue
Phoenix, AZ 85102

Arkansas:

The Corporation Company
417 Spring Street
Little Rock, AR 72201

California:

Department of Financial Protection and
Innovation
1 Sansome Street, Suite 600
San Francisco, CA 94104
320 West 4th Street, Suite 750
Los Angeles, CA 90013
1515 K Street, Suite 200
Sacramento, CA 95814

CT Corporation System
818 West Seventh Street, 2nd Floor
Los Angeles, CA 90017

Colorado:

The Corporation Company
1675 Broadway
Suite 1200
Denver, CO 80202

Connecticut:

CT Corporation
One Commercial Plaza
Hartford, CT 06103

Delaware:

Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801

District of Columbia:

CT Corporation System
1025 Vermont Avenue, N.W.
Washington, DC 20005

Florida:

CT Corporation System
1200 South Pine Island Road
Plantation, FL 33324

Georgia:

CT Corporation System
1201 Peachtree Street, N.E.
Atlanta, GA 30361

Hawaii:

Commissioner Securities of the State of
Hawaii
Department of Commerce & Consumer
Affairs
335 Merchant Street, Rm 203
Honolulu, HI 96813

The Corporation Company, Inc.
1000 Bishop Street
Honolulu, HI 96813

Idaho:

CT Corporation System
300 North 6th Street
Boise, ID 83701

Illinois:

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

CT Corporation System
208 South La Salle Street
Chicago, IL 60604

Indiana:

Administrative Office of the Secretary of
State
201 State House
Indianapolis, IN 46204

CT Corporation System
One North Capital Avenue
Indianapolis, IN 46204

Iowa:

CT Corporation System
2222 Grand Avenue
Des Moines, IA 50312

Kansas:

The Corporation Company, Inc.
515 South Kansas Avenue
Topeka, KS 66603

Kentucky:

CT Corporation System Kentucky
Home Life Building
Louisville, KY 40202

Louisiana:

CT Corporation System
8550 United Plaza Boulevard
Baton Rouge, LA 70809

Maine:

CT Corporation System
One Portland Square
Portland, ME 04101

Maryland:

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

The Corporation Trust Incorporated
32 South Street
Baltimore, MD 21202

Massachusetts:

CT Corporation System
2 Oliver Street
Boston, MA 02109

Michigan:

The Corporation Company
30600 Telegraph Road
Bingham Farms, MI 48025

Minnesota:

Minnesota Commissioner of Commerce
Minnesota Department of Commerce
133 E. Seventh Street
St. Paul, MN 55101

CT Corporation Company
405 Second Avenue, South
Minneapolis, MN 55401

Mississippi:

CT Corporation System
118 North Congress Street
Jackson, MS 39201

Missouri:

CT Corporation System
906 Olive Street
St. Louis, MO 63101

Montana:

CT Corporation System
406 Fuller Avenue
Helena, MT 59601

Nebraska:

CT Corporation System
206 South 13th Street
Suite 1500
Lincoln, NE 68508

Nevada:

The Corporation Trust Company of Nevada
One East First Street
Reno, NV 89501

New Mexico:

CT Corporation System
217 West Manhattan Avenue
Santa Fe, NM 87501

New Hampshire:

CT Corporation System
9 Capital Street
Concord, NH 03301

New Jersey:

The Corporation Trust Company
Mountain View Office Park
820 Bear Tavern road, 3rd Floor
West Trenton, NJ 08628

New York:

Secretary of State
41 State Street
Albany, NY 12231

CT Corporation System
1633 Broadway
New York, NY 10019

North Carolina:

CT Corporation Systems
225 Hillsborough Street
Raleigh, NC 27603

North Dakota:

CT Corporation System
314 East Thayer Avenue
Bismarck, ND 58501

Ohio:

CT Corporation System
815 Superior Avenue, N.E.
Cleveland, OH 44114

Oklahoma:

The Corporation Company
753 First National Building
Oklahoma City, OK 73102

Oregon:

Director, Department of Consumer &
Business Services
Division of Financed & Corporate Securities
Labor and Industries Building
Salem, OR 97312

CT Corporation System
520 S.W. Yamhill, Suite 800
Portland, OR 97204

Pennsylvania:

CT Corporation System
1635 Market Street
Philadelphia, PA 19103

Rhode Island:

Director of Rhode Island Department of
Business Regulation
Securities Division
1511 Pontiac Avenue
Cranston, RI 02920

CT Corporation System
123 Dyer Street
Providence, RI 02903

South Carolina:

CT Corporation System
75 Beattie Place
Two Insignia Financial Plaza
Greenville, SC 29601

South Dakota:

Director
Division of Securities
118 West Capitol Avenue
Pierre, SD 57501

CT Corporation System
319 South Coteau Street
Pierre, SD 57501

Tennessee:

CT Corporation System
530 Gay Street, Suite 600
Knoxville, TN 37902

Texas:

CT Corporation System
350 North St. Paul Street
Dallas, TX 75201

Utah:

CT Corporation System
50 West Broadway, 8th Floor
Salt Lake City, UT 84101

Vermont:

CT Corporation System
148 College Street
Burlington, VT 05401

Virginia:

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

Edward R. Parker
5511 Staples Mill Road
Richmond, VA 23228

Washington:

Director
Department of Financial Institutions
P.O. Box 9033
Olympia, WA 98507-9033

CT Corporation System
520 Pike Street
Seattle, WA 98101

West Virginia:

CT Corporation System
707 Virginia Street, East
Charleston, WV 25301

Wisconsin:

CT Corporation System
44 East Mifflin Street
Madison, WI 53703

Wyoming:

CT Corporation System
1720 Carey Avenue
Cheyenne, WY 82001

EXHIBIT B
FRANCHISEE APPLICATION

STRAW HAT RESTAURANTS, INC.

FRANCHISE APPLICATION

DATE _____

The following information is the basis for my franchise application:

Social Security Number _____

Date of Birth _____

Driver's License # _____

Name

Last

First

Middle

Home Phone (____) _____ Fax (____) _____ Cell Phone (____) _____

Email Address _____

Present Address

Street

City

State

Zip

How Long at Present Address? _____ Home: Rent _____ Own _____

If Renting, Name of Landlord

Previous Address

Street

City

State

Zip

Current Employer

Address _____ Phone (____) _____

Position _____ Salary _____

Date of Hire _____ Other Income _____

(Please Attach Resume)

Education 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 +
(Circle Last Year Completed) Degree _____

Name of College

Number of Dependents _____ Marital Status _____ Spouse's Name _____

Spouse's Social Security _____ Spouse's Occupation _____ Date of Hire _____

PRIOR BUSINESS EXPERIENCE (List Occupations or Business Owned)

Firm Name

City

Position

Date of Hire

Do you have restaurant or retail management experience? Yes No

If yes, please explain

Have you ever been a franchisee of any other company? Yes No

If so, what company and dates?

Do you plan to be the full-time operator/manager of this business? Yes No

If not, have you identified an operating partner?

Will you both be active? Yes No

Who will be the management team of the restaurant?

Do the above individuals have restaurant or retail management experience? Yes No

If yes, please explain

Who recommended Straw Hat to you?

What in your background or experience qualified you to become a Straw Hat Pizza franchisee?

Location Preference:

1st Choice _____

2nd Choice _____

Planned date to open first unit: _____

Are you interested in multi-unit development? Yes No

How do you expect that becoming a franchisee will help you achieve your business and personal goals?

OUR CREDIT IS ESTABLISHED WITH THE FOLLOWING FIRMS

(Give names and addresses of suppliers or persons with whom you have credit):

Name	Address	Type of Credit	Maximum Amount
------	---------	----------------	----------------

Available Capital To invest? _____

When will you be Available? _____

*Will you have a business partner? Yes No

Name of Partner _____

Will your business partner be active in the business? Yes No

PERSONAL REFERENCES (Non-relative):

Name	Address	Type of Credit	Maximum Amount
------	---------	----------------	----------------

IMPORTANT: This information will be held in the strictest confidence. Returning this form does not obligate Straw Hat Restaurants, Inc., or the applicant, in any way or manner.

Signed _____ Date _____

*Application and Financial Statement of partner is required, when applicable

PERSONAL FINANCIAL STATEMENT

INCOME STATEMENT

SOURCE OF INCOME	CONTINGENT LIABILITIES
Salary.....\$_____	As endorser or co-maker.....\$_____
Bonus/Commission\$_____	On leases or contracts\$_____
Real Estate Income.....\$_____	Provision for federal income tax\$_____
Interest and Dividends.....\$_____	Other contingent liabilities (itemize)\$_____
.....\$_____\$_____
TOTAL INCOME\$_____	TOTAL CONTINGENT LIABILITIES\$_____

BALANCE SHEET

ASSETS (Attach third party confirmation)	LIABILITIES AND NET WORTH
Cash on hand and in bank (See Schedule #1).....\$_____	Notes Payable (See Schedule #4).....\$_____
Publicly traded stocks/bonds (See Schedule #2).....\$_____	Accounts and bills due\$_____
Accounts/Notes receivable (convertible to cash in 90 days)\$_____	Taxes due\$_____
Life Insurance (cash surrender value)\$_____	Liens Payable\$_____
	Real Estate Mortgages Payable (See Schedule #3).....\$_____
TOTAL LIQUID ASSETS\$_____	

ILLIQUID ASSETS:

Real Estate investments excluding personal residence (See Schedule #3)
..... \$ _____
Pensions/IRAs, etc. \$ _____
Accounts/Notes Receivable . \$ _____
Other Assets (itemize)..... \$ _____

TOTAL ASSETS..... \$ _____

LIABILITIES AND NET WORTH

Other liabilities (itemize) \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH \$ _____

SCHEDULE #1 - BANK ACCOUNTS

Institution Name & Location	Account Number	Contact Officer	Cash Balance
--------------------------------	----------------	-----------------	--------------

SCHEDULE #2 - STOCKS AND BONDS

Description of Security	Stock Exchange	Number of Shares	Cost	Current Market Value
-------------------------	----------------	------------------	------	----------------------

**SCHEDULE #3 - REAL ESTATE INVESTMENTS
EXCLUDING PERSONAL RESIDENCE**

Description or Street Number of Property	Percent of Ownership	Date of Purchase	Cost	Market Value	Mortgage Balance	Liens
---------------------------------------------------	-------------------------	---------------------	------	--------------	---------------------	-------

SCHEDULE #4 – NOTES PAYABLE

Institution Name & Location	Account Number	Outstanding Balance	Maturity Date
--------------------------------	----------------	---------------------	---------------

EXHIBIT C-1

ATTESTATION TO FINANCIAL DATA AND

AUTHORIZATION FOR RELEASE OF PERSONAL INFORMATION

**ATTESTATION TO FINANCIAL DATA AND
AUTHORIZATION FOR RELEASE OF PERSONAL INFORMATION**

I hereby attest to the accuracy of the statement of my financial data made to Straw Hat Restaurants, Inc. ("Straw Hat"), as of the ____ day of _____, 20__.

I authorize Straw Hat, or its agent, to verify any and all data submitted, and to make any additional credit checks which it deems necessary or advisable.

I further authorize Straw Hat, or its agent, to obtain background character information regarding myself which it deems necessary or advisable.

In connection with these financial and background character investigations, I authorize Straw Hat, or its agent, to contact any present or past employer, school, financial institution, law enforcement agency, reference, or any other person, firm, corporation, or source. I authorize any such source to provide Straw Hat, or its agent and employees from all liability from releasing this information. I understand such reports may contain information concerning my education, employment, work habits, character or skill, credit history, or criminal history.

I authorize that a photocopy of this document may be accepted with the same authority as the original.

Straw Hat agrees to maintain and restrict the use of this information in connection with this application to be considered as a franchisee for a Straw Hat Pizza Restaurant. Straw Hat may release to prospective financial sources any information concerning me that may be requested.

Applications That Are Not Signed And Witnessed Cannot Be Processed.

Signature of Applicant

Date

Signature of Applicant

Date

Signature of Witness

Date

EXHIBIT C-2
FORM GENERAL RELEASE

[THIS IS ONLY A FORM. IT MAY BE MODIFIED IN THE FUTURE TO ACCOUNT FOR CHANGES IN THE LAW OR HOW WE OPERATE, OR AS APPROPRIATE FOR YOUR SPECIFIC TRANSACTION. THE TERMS OF RELEASE MAY BE MADE PART OF ANOTHER DOCUMENT CONTAINING ADDITIONAL TERMS AND CONDITIONS RELATIVE TO YOUR RENEWAL OR TRANSFER.]

GENERAL RELEASE

This General Release (this "Release") is made by [NAME OF FRANCHISEE ("Franchisee") in favor of Straw Hat Restaurants, Inc. ("Franchisor") and certain related parties as listed below effective as of , 20__ (the "Effective Date").

Franchisor is the franchisor of casual dining restaurants that offer among other items, pizza. Franchisor's restaurants operate under the names Straw Hat Pizza®, Straw Hat Grill, Straw Hat Pizza Express.

Franchisor (or its predecessor in interest) and Franchisee (or its predecessor in interest) entered into a Franchise Agreement dated _____, (the "Franchise Agreement") for the operation of a for a term that will expire on (the "Franchised Business") located in _____.

Franchisee wishes to transfer the franchise rights as provided in the Franchise Agreement.

A release of all claims against Franchisor and related parties by Franchisee is one of the conditions that must be satisfied in order to [renew/transfer] the franchise under the Franchise Agreement.

Therefore, in consideration of these premises, and for other good and valuable consideration, receipt of which is hereby acknowledged, Franchisee agrees as follows:

1. Release by Franchisee. Except as provided below in Section 3, Franchisee for *himself/itself* and *his/its* respective predecessors, shareholders, officers, directors, members, partners, owners, successors, assigns, affiliates, family members, heirs, executors, administrators and personal representatives and anyone claiming through or under them (collectively the "Franchisee Parties"), hereby releases, acquits and forever discharges Franchisor and its predecessors, successors, assigns, parent company, subsidiaries, affiliates, officers, directors, stockholders, employees, attorneys, accountants and other representatives (collectively the "Franchisor Parties") of and from any and all claims, demands, debts, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether relating to the Franchised Business or any other transaction, event, circumstance, act or omission, whether known or unknown, fixed or contingent, which the Franchisee Parties or any of them have against the Franchisor Parties by reason of any matter, event or cause whatsoever occurring or arising at any time prior to and including the Effective Date of this Release stated above.

2. Waiver of Civil Code Section 1542. Franchisee for *himself/itself* and the Franchisee Parties hereby expressly waive any rights or benefits available under the provisions of Section 1542 of the California Civil Code or any similar law of any state that provides for the survival of claims despite a general release. Civil Code Section 1542 provides as follows:

A general release does not extend to claims that the creditor does

not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Franchisee understands this statutory language, and despite this or any similar statute, Franchisee freely elects to specifically waive these rights and hereby does release the Franchisor Parties from all claims whether known or unknown. Franchisee understands that if the facts relied upon in making this Release are discovered hereafter to be other than or different from the facts now believed to be true, or if additional facts are discovered, Franchisee expressly accepts the risk of such possible different or additional facts and agrees that this Release and waiver shall remain effective despite any such discoveries. Franchisee is not deciding to make this Release predicated on any factual representations of Franchisor regarding the nature of the claims released or any other matters.

3. Limitations on Release.

This release expressly excludes, as applicable, any claims arising under the Maryland Franchise Registration and Disclosure Law and under Article 33 of the General Business Law of the State of New York, and will not operate to limit or relieve any person from any liability imposed by Minnesota Statutes, sections 80C.01 or 80C.22.

4. Representations. Franchisee represents, warrants, agrees and acknowledges:

a. That Franchisee had the opportunity to consult with legal counsel in making this Release and that Franchisee has read and fully understands the terms of this Release and that this Release was entered into by each freely and voluntarily;

b. That the validity of this Release is a condition to and essential consideration for the [renewal/transfer] of the franchise rights;

c. That in addition to this Release, there are other conditions to the [renewal/transfer] of the franchise contained in the Franchise Agreement that must be satisfied in order to have the franchise [renewed/transferred]; and

d. That Franchisee currently owns the franchise rights and the Franchised Business and all of the claims released hereby and has not up to this time assigned any interest in the franchise, the Franchise Agreement, the Franchised Business, the ownership of Franchisee or any of the claims released hereby.

5. Entire Agreement. This Release contains the entire agreement by Franchisee with respect to the release required for [renewal/transfer] of the franchise rights. All prior discussions, negotiations, and representations concerning this matter are superseded by this Release.

6. Governing Law. This Release will be governed by the laws of California.

Name(s) of Franchisee Above

Signature lines For Franchisee who is natural person (not corporation, etc.)

Signature of Franchisee

Dated: _____

Signature of Franchisee

Dated: _____

Signature line for Franchisee not natural person (corporation, etc.)

By: _____

As its: _____

Dated: _____

EXHIBIT D-1
FRANCHISE AGREEMENT FOR STRAW HAT PIZZA RESTAURANT

STRAW HAT PIZZA RESTAURANT
FRANCHISE AGREEMENT

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STRAW HAT RESTAURANTS, INC.

STRAW HAT PIZZA STANDARD FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement") is made by and between Straw Hat Restaurants, Inc., a California Corporation with principal offices at 11501 Dublin Blvd., Suite 200, Dublin, California 94568 ("FRANCHISOR"), and _____ a _____ with principal offices located at _____ ("FRANCHISEE").

FRANCHISOR offers franchises for the establishment and operation of fast food and casual dining restaurants featuring pizza and other menu items ("Restaurants");

FRANCHISOR owns and may continue to develop techniques, processes, methods, procedures, forms, concepts, formats and know-how, collectively referred to herein as the "System", to be used in Restaurants;

FRANCHISOR owns certain services marks, trademarks, logos and commercial symbols, including the mark "Straw Hat Pizza" and related marks and logos owned by FRANCHISOR and used in the operation of Restaurants ("the Marks");

FRANCHISEE wishes to acquire a franchise for the operation of a Straw Hat Pizza Restaurant or Restaurants that will utilize the Marks and the System subject to the terms and conditions of this Agreement;

FRANCHISOR desires to grant FRANCHISEE a franchise and license to use the System and the Marks for the establishment and operation of a Restaurant or Restaurants subject to the terms and conditions of this Agreement.

For and in consideration of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS

1.1. Defined Terms.

The following terms capitalized in this Agreement will have the meanings provided below:

"Adjusted Gross Sales" means any and all revenue earned by the Franchised Business of any nature whatsoever, including delivery charges, revenue from Third Party Delivery Platform sales, vending machine receipts and Game Revenue, and receipts for off-site services including delivery, catering or special events and the use of the Marks or System or otherwise, during the term of this Agreement and any renewals hereof, including any monies earned by the Franchised Business and the cash equivalent of any other consideration received by the Franchise Business for the sale or provision of Approved Products or the use of the marks or System with deduction only for Third Party Delivery Fees, coupons or similar discounts off sales, and sales taxes collected from customers and remitted to the appropriate taxing authorities

and for customer refunds but only in accordance with FRANCHISOR'S policies or requirements and subject to any conditions for deducting customer refunds from Adjusted Gross Sales as may be included in such policies or requirements.

“Agreement” means this Agreement and all exhibits hereto.

“Alternative Channels of Trade” means sales opportunities in locations that are not restaurants, including supermarkets and grocery stores, catalogues, and the internet for food products which are not sold in Restaurants, including frozen foods and packaged ingredients.

“Anniversary Date” means the anniversary of the Effective Date of this Agreement.

“Approved Suppliers” means the vendors and other suppliers of food products, décor, and other items that are expressly approved by FRANCHISOR and required for the FRANCHISEE to purchase.

“Company Operations” means any Restaurant owned or operated by FRANCHISOR or its affiliates under the Marks and the System.

“Competitive Business” means any business that offers or sells similar services, including fast food and casual dining pizza restaurants and Italian restaurants.

“Confidential Information” is certain information owned by FRANCHISOR as defined in Section 10.1 below.

“Controlling Interest” means either a fifty-one percent (51%) or greater ownership interest in FRANCHISEE or the Franchised Business, or if there is no one ownership interest of at least fifty-one percent (51%) then it means the largest undivided ownership interest in FRANCHISEE or the Franchised Business, and refers separately to each of the highest percentage ownership interests where there is not one which is largest.

“Delivery Fees” means the fees imposed by Third Party Platforms for orders through their platforms.

“Effective Date” means the date on which the FRANCHISOR signs this Agreement.

“Equipment” means any office or business equipment (including a computer system), furniture, furnishings, décor items, kitchenware, small wares, appliances, office supplies, stationery, and business forms used in the Franchised Business.

“Franchised Business” means the business operated by FRANCHISEE under this Agreement.

“Game Revenue” means FRANCHISEE's share of the revenue generated by amusement and coin-operated entertainment games operated at the Restaurant, when maintained by a third party, or 35% of the total game income when owned and operated by the FRANCHISEE.

“Improvements” include any enhancements, adaptations, derivative works, modifications, techniques, processes or compositions based on or developed in whole or in part upon or from any part of the Straw Hat System, trade secrets or any intellectual property owned by FRANCHISOR or any of its affiliates.

“Marks” means the trademarks and service marks listed on Exhibit A and all other trademarks, service marks, logos, commercial symbols, trade dress and other marks now or hereafter licensed to or owned or used by FRANCHISOR in connection with the System as may be modified by FRANCHISOR from time to time, except as specifically excepted in section 3.1 of this Agreement.

“Network” means the aggregate of Straw Hat Restaurants operated, franchised or licensed by FRANCHISOR.

“Non-Traditional Location” means a kiosk-style Straw Hat Pizza Restaurant sited in an airport, hotel, convention center, sports arena or stadium, college campus, amusement park, within the premises of another business, or any similar location.

“Operating Principal” means an equity owner of FRANCHISEE who will manage the Franchised Business and who is authorized to act for FRANCHISEE and communicate with FRANCHISOR in relation to the Franchised Business.

“Percentage Royalty” means an amount equal to four percent (4%) of Adjusted Gross Sales collected per Year on a per Restaurant basis.

“Premises” means any location within the Territory approved by FRANCHISOR from which the Franchised Business will be operated.

“Quarter” means one of each successive three (3) month periods during the term of this Agreement starting on the Effective Date.

“Restaurant” means a retail location that operates under the System and the Marks.

“Royalties” means the royalties payable by FRANCHISEE to FRANCHISOR in accordance with Section 8.2 of this Agreement.

“Straw Hat” when used as a modifier refers to something or someone identified by or associated with the Marks, the System or the network of franchisees and Company Operations operating under the Marks.

“Straw Hat Methods” means the proprietary methods and techniques for operating Restaurants, including those used in marketing Approved Products and all intellectual property rights of FRANCHISOR or FRANCHISOR relating to these methods and techniques.

“System” means the techniques, methods, procedures, systems, forms, programs, devices, concepts, formats and know-how developed by or for FRANCHISOR or FRANCHISOR, as may be modified from time to time by FRANCHISOR, for the operation of

businesses selling Approved Products under the Marks, including but not limited to the Straw Hat Methods.

“System Manuals” means the manual or manuals provided by FRANCHISOR to FRANCHISEE in such paper or electronic format or formats as FRANCHISOR determines in its sole discretion and containing information, standards, specifications, requirements, policies, guidelines and instructions about some or all of the following subjects, among others, as determined and modified by FRANCHISOR from time to time: operations and procedures; use of the Marks; Approved Products and Approved Suppliers; Equipment; appearance and maintenance of the Premises; sales goals and business plans; financial and operational reports; accounting and bookkeeping; customer service standards; business forms and formats; marketing, advertising and promotions and other matters relating to the establishment, operation and marketing of Straw Hat Restaurants.

“Territory” means the geographic area or areas described in Exhibit B attached hereto in which FRANCHISEE must locate and operate the Franchised Business and focus marketing efforts for the Franchised Business, and in which FRANCHISEE will have the rights set forth in Section 2.2 below, subject to FRANCHISOR’s reserved rights as set forth in Section 2.3.

“Third Party Delivery Platform” means a third party company running an e-commerce site allowing consumers to order food and providing delivery of those orders from FRANCHISEE’s Restaurant, including but not limited to DoorDash and GrubHub.

“Year” means one of the twelve (12) month periods beginning on the Effective Date and ending on each Anniversary date during this Agreement.

2. GRANT OF FRANCHISE

2.1. Grant, Scope of Grant and Distribution Rights, Term.

(a) Subject to the terms and conditions of this Agreement, FRANCHISOR grants to FRANCHISEE a limited, personal, franchise to use the Marks and System to operate the Franchised Business during the term of this Agreement only at and from a Restaurant or Restaurants located in the Territory and approved by FRANCHISOR as provided herein. All locations of the Franchised Business must be operated according to this Agreement and the System Manuals. The franchise granted hereunder is for the operation of one Restaurant unless otherwise set forth in Exhibit B attached hereto. The scope of this franchise is limited to the offer and sale of Approved Products to consumers from the Restaurant or Restaurants in accordance with the FRANCHISOR’s standards. FRANCHISEE is not authorized to sell any food items except those expressly authorized by FRANCHISOR and in accordance with FRANCHISOR’s standards and guidelines. FRANCHISEE has no authority to and may not license, or sublicense any part of the System, the Marks or the Straw Hat Methods to anyone and may not sublicense, subfranchise or subdivide the franchise granted hereunder in any manner unless such rights are expressly granted to FRANCHISEE by further written agreement with FRANCHISOR.

(b) The term of this Agreement shall be ten (10) years from the Effective Date.

2.2. Rights in the Territory.

During the term of this Agreement, within the Territory FRANCHISOR will not establish, place or locate or authorize anyone else to establish, place or locate a Restaurant that is identified by the Marks and used for the sale of Approved Products in any traditional location.

2.3. Limited Operation Outside of Territory

FRANCHISEE may provide catering for events outside of its Territory. FRANCHISEE may also attend and participate at temporary special events outside of the Territory including fairs, concerts or festivals. This grant of rights is intended to be limited, and FRANCHISEE shall not establish any catering relationship or engage in any type of event such that FRANCHISEE establishes a permanent or long term operation outside of its Premises without the prior written permission of FRANCHISOR.

2.4. Reservation of Rights by FRANCHISOR.

(a) Other than as provided in Section 2.2 above, no other form of exclusivity in the Territory is granted and none shall exist or be implied from this Agreement or from any other conduct or course of dealing. Other than the conduct expressly prohibited under Section 2.2 above, FRANCHISOR and its affiliates shall have all rights to own, operate or franchise Restaurants or other Competitive Businesses and to market and sell products or services by any methods, through any channels of distribution, to any customers at or from any locations. Without limiting the foregoing, FRANCHISOR may, or may grant others the rights, at any location: (i) to own and operate or franchise any Restaurants or other Competitive Businesses at any locations outside of the Territory regardless of proximity to the Territory; (ii) to own and operate any Restaurants or other Competitive Businesses at Non-Traditional Locations within the Territory; (iii) provide catering within the Territory or participate in temporary special events within the Territory; (iv) to operate in Alternative Channels of Trade within the Territory; (iv) to own and operate businesses that are not Competitive Businesses at any location; and (v) to participate in any marketing events to promote or increase awareness of the Straw Hat System and Network within the Territory.

(b) Except as set forth above in Section 2.4(a), FRANCHISEE shall have the sole Franchised Business operating under the Marks in its Territory. However, other franchises within the Network may advertise within FRANCHISEE's Territory, deliver within the Territory, and serve customers within the Territory.

3. THE MARKS

3.1. Grant and Use of the Marks.

(a) FRANCHISOR hereby grants to FRANCHISEE a limited, nonexclusive, personal license to use the Marks in connection with the Franchised Business during the term of this Agreement and subject to the terms and conditions of this Agreement and all quality control

standards and requirements of FRANCHISOR. FRANCHISEE shall use the Marks and no other names or marks except as permitted in writing by FRANCHISOR to establish, identify, promote, advertise and market the Franchised Business and the Restaurants. FRANCHISEE may not use or authorize, aid or abet anyone to use the Marks for any other purpose or in connection with any other business or activity. If FRANCHISEE or an affiliate or owner of FRANCHISEE is involved in or affiliated with any business other than the Franchised Business, FRANCHISEE must ensure that the Marks are not used, represented or understood as a name or mark for such other businesses or any products or services they provide. FRANCHISEE shall use the Marks in strict accordance with the standards and specifications as issued by FRANCHISOR from time to time. FRANCHISEE may not add to or modify the Marks in any manner or use the Marks in connection with any other marks unless expressly authorized by FRANCHISOR in writing. The Marks shall not be used in any other manner or for any other purpose except as may be expressly permitted by FRANCHISOR in writing.

(b) FRANCHISEE's license only extends to use of the Marks specifically associated with the type of Restaurant FRANCHISEE opens, which are listed in Exhibit A. FRANCHISEE may not use Marks associated with any other type of Restaurant that may be operated by FRANCHISOR.

3.2. Personal License.

The license granted to use the Marks hereunder is personal to FRANCHISEE and may not be transferred except in accordance with a transfer approved by FRANCHISOR and made in accordance with Article 11 of this Agreement. FRANCHISEE has no right to and will not sublicense the Marks or authorize anyone else to use the Marks.

3.3. Ownership.

(a) The Marks and all goodwill associated therewith are and shall remain the exclusive property of FRANCHISOR whether or not specifically recognized or registered under applicable law. FRANCHISEE does not have and shall not obtain any right, title or interest in or to the Marks. FRANCHISEE shall not take any action that jeopardizes FRANCHISOR's rights in the Marks. FRANCHISEE will not attempt to assert, establish or acquire, by registration or otherwise, any rights to the Marks or the goodwill associated therewith. FRANCHISEE shall not register or use the Marks as part of the legal name of any corporation, partnership, limited liability company or other entity.

(b) Upon expiration, termination or nonrenewal of this Agreement for any reason, the license to use the Marks will automatically terminate and FRANCHISEE, at FRANCHISEE's own expense, shall immediately cease all use of the Marks and will provide FRANCHISOR with evidence that it has done so. After termination, FRANCHISEE will not adopt or use any name or mark that is confusingly similar to any of the Marks.

(c) All goodwill associated with, or arising out of, FRANCHISEE's use of the Marks shall inure to the benefit of FRANCHISOR.

3.4. No Use In Company Name.

(a) FRANCHISEE shall not use the Marks or any derivatives thereof in any part of its own business or company name. During and after the term of this Agreement, FRANCHISEE shall not register or attempt to register, directly or indirectly, any trademark, service mark, trade name, copyright, company name or other proprietary or commercial right that is identical or confusingly similar to any of those of FRANCHISOR.

(b) FRANCHISEE shall not register or otherwise establish any Internet domain name that incorporates any of the Marks or any derivatives thereof, or otherwise use the Marks or any derivatives thereof in any meta-tags or otherwise use the Marks on the Internet except as may be permitted by FRANCHISOR in writing.

3.5. Infringement.

FRANCHISEE shall promptly notify FRANCHISOR if FRANCHISEE learns: (i) of any potential infringement of any of the Marks by a third party; (ii) that the use of any of the Marks may infringe the proprietary rights of a third party, or (iii) of any claim by a third party that FRANCHISEE's or FRANCHISOR's use of any of the Marks constitutes unfair competition or infringement. In the event of any trademark infringement or unfair competition suits arising out of FRANCHISEE's use of the Marks within FRANCHISOR's guidelines and restrictions under this Franchise Agreement and the System Manuals, FRANCHISOR may, but is not required to, defend and indemnify FRANCHISEE. If FRANCHISOR undertakes a defense of FRANCHISEE in any such lawsuit, FRANCHISOR shall have the sole and exclusive authority and right to control the defense of any such proceeding and of all decisions regarding settlement of any claims and appeal from any adverse judgment in any such proceeding. FRANCHISOR may direct FRANCHISEE to use a new Mark, which shall be within the sole discretion and selection of FRANCHISOR, in response to such claim. FRANCHISOR will have the exclusive right to decide what actions are appropriate to take in response to any infringement of the Marks by a third party and to bring and prosecute any actions for infringement.

3.6. Modification of the Marks.

FRANCHISOR reserves the right at any time, for any reason, to adopt additional or substitute Marks or to modify or discontinue any of the Marks. Upon notice from FRANCHISOR to FRANCHISEE, all such additions, substitutions, modifications or discontinuances relative to the Marks (collectively "changes") will become effective and the scope of the Marks, and the license to use the Marks, shall be deemed modified to reflect such changes. Promptly upon notice of any such changes to the Marks by FRANCHISOR, FRANCHISEE will adopt and comply with the changes for all purposes in connection with the Franchised Business at FRANCHISEE's own expense.

4. TRAINING AND ASSISTANCE

4.1. Initial Training.

(a) Before the Restaurant opens for business, FRANCHISOR will provide to FRANCHISEE or to the Operating Principal if FRANCHISEE is not a natural person, plus one

manager of the Restaurant, initial training including instruction about the System and the Straw Hat Methods, at no charge. Both FRANCHISEE and the designated manager must successfully complete this training to the FRANCHISOR's satisfaction at least sixty (60) days before opening the Restaurant.

(b) If FRANCHISEE is authorized to open more than one Restaurant, all subsequent initial trainings shall be provided at no charge for one person only.

(c) Initial training will be provided at a Restaurant designated by FRANCHISOR. In most cases, training will last for approximately three weeks, six days a week, but FRANCHISOR may vary the particulars of the initial training program as appropriate under the circumstances, including the previous experience of the FRANCHISEE or the Operating Principal. FRANCHISOR may charge reasonable fees for providing its initial training program to any additional persons during the term of this Agreement or any renewals hereof. FRANCHISOR is not obligated to train FRANCHISEE's employees. FRANCHISEE must train all employees of the Franchised Business to the extent necessary for them to perform their job functions. FRANCHISEE will be solely responsible for all of its costs and expenses associated with the attendance at initial training, including travel and lodging, meals and compensation for any of FRANCHISEE's representatives or employees attending initial training. FRANCHISEE will also reimburse FRANCHISOR for its reasonable out-of-pocket expenses incurred to provide initial training, including travel, lodging and meals for any trips to FRANCHISEE's Restaurant or any other Restaurant where training is provided.

4.2. Additional Training.

FRANCHISOR may, but is not obligated to, provide training in addition to the initial training provided under Section 4.1 above. Additional training or training materials may be delivered in the format or media of FRANCHISOR's choosing, including but not limited to course books or training exercises on paper, video, CD-ROM or other electronic format, via web cast or an intranet. If FRANCHISOR designates any additional training or training materials as mandatory, FRANCHISEE (or its owner) and/or the manager and/or FRANCHISEE's other staff as designated by FRANCHISOR must attend and satisfactorily complete such training or materials. Without limiting the foregoing, FRANCHISOR may require FRANCHISEE to attend a refresher course approximately 6 months after the Restaurant opens for business, which may be held at FRANCHISEE's Restaurant, at a Company Owned Restaurant or another location designated by FRANCHISOR. FRANCHISEE will be solely responsible for all of its costs associated with attending any additional training. FRANCHISOR reserves the right to charge FRANCHISEE reasonable fees for additional training or training materials, and to receive reimbursement for its reasonable out-of-pocket expenses incurred in providing additional training.

4.3. Requirements for Attendees.

All persons FRANCHISEE sends to training provided by FRANCHISOR must sign FRANCHISOR's form of Confidentiality Agreement as provided in Article 10 below before commencing the training. FRANCHISOR reserves the right to establish other criteria for admitting attendees to any training provided by FRANCHISOR.

4.4. Other Assistance and Advice.

FRANCHISOR will provide FRANCHISEE with opening assistance, which will include a consultation with FRANCHISEE about the starting inventory of food to order for the Restaurant and advertising to place in order to announce the opening of the Restaurant. A representative of FRANCHISOR may visit the Restaurant at reasonable times during the term of this Agreement to observe its operations and provide feedback to FRANCHISEE, which may be delivered orally, in a face-to-face meeting, in writing or by other reasonable means as FRANCHISOR may select. If additional visits, inspections or on-site assistance are provided at FRANCHISEE's request, then FRANCHISEE may be required to pay a reasonable consulting fee and for any travel, lodging and living expenses incurred by FRANCHISOR in sending its representatives to the Franchised Business. FRANCHISOR shall respond by telephone, electronic mail or other writings to reasonable requests from FRANCHISEE for technical or operational advice regarding the Franchised Business. After the first Restaurant owned by FRANCHISEE has been operating for (6) months, FRANCHISOR may impose a reasonable hourly fee for any consultation and advice requested by FRANCHISEE that exceeds ten (10) hours in any month.

4.5. System Manuals.

By the completion of initial operational training, FRANCHISOR will deliver to FRANCHISEE, at no additional charge, the System Manuals. FRANCHISOR may update, change or supplement the System Manuals from time to time in its discretion and will deliver copies of all such modifications to FRANCHISEE, which will be deemed effective on receipt unless otherwise specified by FRANCHISOR. The contents of the System Manuals are, unless otherwise indicated in writing, Confidential Information of FRANCHISOR and shall be treated as such in accordance with Article 10 of this Agreement.

4.6. Modifications.

If FRANCHISOR modifies the System, including but not limited to modifications of the Straw Hat Methods, trade dress, signs, required products or services, Approved Products, Approved Suppliers, Equipment or any other matters relating to the operation of the Franchised Business, FRANCHISEE will comply with all such modifications at its own expense as soon as possible, provided that the expense of compliance and the frequency of the required modifications shall be reasonable.

4.7. Website or Intranet.

(a) FRANCHISOR may provide a Website or Intranet for the Network that may be used as a means of electronic mail and other communications among Restaurants and with FRANCHISOR for other purposes as determined by FRANCHISOR. Any such Website or Intranet will be provided "AS IS". FRANCHISOR makes no representation or warranty that use will be error free or uninterrupted. FRANCHISOR will not be liable for any delays or failures in functionality or any security breaches regarding use of its Website or Intranet.

(b) FRANCHISEE may not create or maintain any website using any of the Marks, and may not maintain its own website for purposes of advertising or operating the

Restaurant without prior review and written approval by the Board of Directors, which may be revoked at any time in FRANCHISOR's discretion.

5. THE PREMISES AND PRE-OPENING REQUIREMENTS

5.1. Selection of Suitable Premises.

(a) FRANCHISOR will recommend a real estate broker who will provide general guidance concerning site selection and FRANCHISOR will provide FRANCHISEE with any standards and requirements for the Premises of a Straw Hat Restaurant. FRANCHISEE must select Premises for each Restaurant consistent with the standards and requirements provided by FRANCHISOR. Without limiting the foregoing, the Premises must be located in an area zoned for commercial or retail use. FRANCHISEE is solely responsible for identifying suitable Premises for its Restaurants. FRANCHISEE shall obtain FRANCHISOR's prior written approval of any Premises before entering into any negotiations for or leasing the Premises. FRANCHISEE will submit to FRANCHISOR photographs, demographic information, lease terms sought by the landlord for the Premises, and other information about the Premises and its surrounding area as reasonably requested. FRANCHISOR shall have the right but not the obligation to inspect any proposed location. FRANCHISOR shall have the sole and absolute discretion to approve or disapprove the Premises proposed by FRANCHISEE, and FRANCHISEE shall negotiate and enter into a lease for the Premises only upon FRANCHISOR's written approval and direction as to lease terms.

(b) FRANCHISEE must locate and obtain approval of a site within 180 days from the execution of this Agreement.

5.2. Use of Premises.

The Premises may not be used for any purpose or business other than the operation of the Franchised Business. FRANCHISEE will not conduct or permit the conduct of any unlawful activity at the Premises or through the Franchised Business.

5.3. Leasing the Premises.

FRANCHISEE is solely responsible for negotiating the lease for any Premises and must obtain and provide FRANCHISOR with a copy of the proposed lease and FRANCHISOR's consent to the material lease terms before entering into the lease, which consent will be deemed granted if no objection is received within ten business days of receipt by FRANCHISOR. FRANCHISEE will provide FRANCHISOR with a copy of the signed lease and any and all addenda or modifications thereto so that FRANCHISOR has at all times during the term of this Agreement a copy of the current lease in effect for the Premises. As a condition of FRANCHISOR's consent to the lease terms or to any modification of the lease, FRANCHISOR may require the inclusion of certain provisions in the lease or in ancillary agreements for the protection of FRANCHISOR's interests, including but not limited to:

(a) A provision approving FRANCHISOR as an assignee of the lease and providing the right, but not the obligation to FRANCHISOR to elect to assume the leasehold

interest upon termination or expiration of this Agreement or upon termination of the lease on account of any default by FRANCHISEE;

(b) A provision that requires the landlord concurrently to provide FRANCHISOR with a copy of any written notice of deficiency and/or default under the lease sent to FRANCHISEE and that grants to FRANCHISOR, in its sole discretion, the right (but not obligation) to cure any deficiency or default under the lease;

(c) A provision whereby the landlord approves FRANCHISOR's required signage for the Premises and that provides FRANCHISEE the right to display the Marks in accordance with the specifications required by the System Manuals, subject only to the provisions of applicable law;

(d) A provision that the Premises may be used only for the operation of a Straw Hat Restaurant;

(e) A provision whereby FRANCHISEE agrees that landlord and FRANCHISOR may freely communicate about matters relevant to the lease and the operation of the Franchised Business;

(f) A provision whereby FRANCHISEE and landlord agree not to materially modify the lease or to delete or amend any of the foregoing provisions required by FRANCHISOR without the consent of FRANCHISOR; and

(g) A collateral assignment of lease that assigns FRANCHISEE's interest in the lease to FRANCHISOR at FRANCHISOR's option upon the occurrence of certain events, such as termination, expiration or nonrenewal of this Agreement or the threatened termination of the lease by the landlord due to a default by FRANCHISEE.

5.4. No Assurances by FRANCHISOR.

FRANCHISEE is responsible for locating and securing the Premises and for the suitability of the Premises for the Franchised Business notwithstanding any guidance or assistance FRANCHISOR may provide to FRANCHISEE concerning selection of the Premises and the terms of the lease. FRANCHISOR shall have no liability to FRANCHISEE concerning the suitability of the location, the Premises or the lease. FRANCHISOR does not warrant in any way that the location, the Premises or lease terms will be adequate for FRANCHISEE's needs or purposes. FRANCHISOR's reviews, approvals, and assistance are based on its general criteria and are not a guaranty that FRANCHISEE will succeed in the location selected or under the terms of the lease approved by FRANCHISOR.

5.5. Development of Premises and Pre-Opening Requirements.

FRANCHISOR shall provide FRANCHISEE with general plans and specifications for the design, décor, equipment and furnishings, layout, signage, and other incidents of a Restaurant. FRANCHISEE shall have full and sole responsibility for:

(a) Obtaining FRANCHISOR's prior written approval of the contractor(s) who will design and build FRANCHISEE's Restaurant;

(b) Any specific plans and drawings needed for the development of the Premises as a Straw Hat Restaurant meeting FRANCHISOR's standards and requirements, including plans and specifications for electrical, plumbing, sewer and mechanical systems;

(c) Obtaining FRANCHISOR's written approval of all plans and specifications as adapted by FRANCHISEE for the Premises, which plans and specifications must be submitted to FRANCHISOR in writing, with fifteen (15) days permitted for FRANCHISOR's review of same;

(d) Obtaining any required zoning changes, all required building, utility and sign permits and licenses and any other required permits and licenses, including those necessary for FRANCHISEE to be in compliance with the Americans With Disabilities Act, state disabled person's laws, or similar laws or regulations;

(e) Purchasing or leasing and installing at the Premises approved Equipment required for the Restaurant in compliance with this Agreement and any specifications and standards set forth in the System Manuals or other writings from FRANCHISOR;

(f) Completing any construction or leasehold improvements needed, including, but not limited to, remodeling, installation of equipment, fixture, furniture and signs, and decorating of the Premises in full and strict compliance with FRANCHISOR's standards and requirements and following all applicable ordinances, building codes and permit requirements, including but not limited to any requirements of the Americans with Disabilities Act;

(g) Hiring and training any managers or other staff for the operation of the Restaurant;

(h) Completing to FRANCHISOR's satisfaction all training required by Section 4.1 of this Agreement;

(i) Completing development of and having the Restaurant ready to open and commence business in accordance with Section 6.1 of this Agreement; and

(j) Planning and conducting appropriate pre-opening and "market introduction" marketing, promotion and advertising for the Restaurant in accordance with good business practices.

5.6. Commencement of Development of Business.

FRANCHISEE shall commence construction of the Premises within one hundred and twenty (120) days of execution of the lease for the Premises.

5.7. Trade Dress and Furnishings.

Without limiting any other provisions of this Agreement, FRANCHISEE shall design and decorate the Premises in accordance with all of FRANCHISOR's trade dress and image specifications, including but not limited to those concerning, signs, décor, artwork, color schemes, changing rooms, furnishings and fixtures, and shall from time to time redecorate, refurbish and otherwise update the Premises as reasonably required by FRANCHISOR to

comport with modifications in FRANCHISOR's trade dress and image. FRANCHISOR may require FRANCHISEE to purchase furnishings and décor only from FRANCHISOR, only from Approved Suppliers or only when it meets specifications which shall be included in the System Manuals.

5.8. Maintenance and Repair of Premises.

FRANCHISEE shall maintain and repair the Premises in accordance with FRANCHISOR's standards and with the requirements of the Premises lease. Without limiting the foregoing, the Premises shall be kept safe and clean at all times and have an immaculate and inviting appearance in keeping with the highest standards for a casual dining restaurant and with all health, fire, safety, access and egress requirements of applicable laws and ordinances.

6. OPERATION OF THE FRANCHISED BUSINESS

6.1. Commencement of Business.

(a) FRANCHISEE will commence operation at the Restaurant promptly after completion of initial training and all other pre-opening requirements and in no event later than eighteen (18) months after the Effective Date. FRANCHISEE shall not open for business without FRANCHISOR'S written approval of the development of the Premises. If more than one Restaurant is authorized by FRANCHISOR, the number of Restaurants authorized and the "open by" dates for the Restaurants will be as stated in Exhibit B to this Agreement. FRANCHISEE acknowledges that if FRANCHISOR grants FRANCHISEE rights to multiple Restaurants in the Territory, FRANCHISEE shall open those Restaurants as required in Exhibit B to develop the Territory.

(b) FRANCHISEE must secure its beer and wine license no later than 45 days after opening.

(c) Once open for business, the Restaurant must remain in operation. FRANCHISEE may not under any circumstances close any Restaurant without the prior written approval of FRANCHISOR. Any relocation of a Restaurant must be within the Territory, may be undertaken only after FRANCHISEE provides 30 days' advanced written notice to and obtains written approval from notice to FRANCHISOR and must comply with all of the provisions of Section 5 above concerning the Premises and pre-opening requirements. FRANCHISOR may condition approval to relocate on FRANCHISEE's compliance with updated décor or other system requirements and upon reimbursement of FRANCHISOR's actual costs in connection with its review and oversight of the relocation, up to a maximum of Eight Thousand Dollars (\$8,000).

(d) FRANCHISOR will visit FRANCHISEE's restaurant once every two weeks during the first sixty (60) days of operation to provide support and assistance with the operation of the restaurant. Thereafter, if FRANCHISEE requests additional visits or support, FRANCHISEE shall pay FRANCHISOR's costs in providing such support, which shall be estimated for FRANCHISEE in advance.

6.2. Minimum Period of Operation.

At present, FRANCHISOR does not prescribe exact hours of operation. However, FRANCHISEE must actively operate the Franchised Business seven (7) days per week, serving both lunch and dinner. In the future, FRANCHISOR may unilaterally set specific hours of operation including opening and closing hours, but not to exceed fifteen (15) hours per day, by amending the System Manual.

6.3. Required Equipment, Information Technology, Website.

FRANCHISEE shall at its sole expense provide all necessary Equipment for operation of the Franchised Business and shall use in the Franchised Business such Equipment meeting any specifications as FRANCHISOR may have issued. FRANCHISOR may modify Equipment and related requirements from time to time and FRANCHISEE will comply with all such changes, modifications and updates by replacing, modifying or updating the Equipment, provided that the requirements imposed are reasonable in terms of cost, frequency of the changes and the time imposed for full implementation of the changes. Without limiting the foregoing, FRANCHISOR reserves the right to develop and modify standards or requirements for a computer system, computer programs and/or point of sale system to be used in the Franchised Business, which may include designated or approved hardware and software components, provided that the cost of acquiring the designated system, program or components shall be reasonable. If any proprietary system or program is adopted, FRANCHISOR may require FRANCHISEE to sign a license agreement to govern the use of the system or program. FRANCHISEE must utilize electronic mail and other features available through FRANCHISOR website and maintain and use Equipment and Internet access sufficient to utilize the website as prescribed by FRANCHISOR. FRANCHISEE shall abide by any terms of use that apply to FRANCHISOR's website or any Intranet FRANCHISOR may develop. FRANCHISOR can require use of Internet service meeting certain standards or a designated Internet service provider. FRANCHISOR may modify its website or other on-line services, or adopt new ones and require FRANCHISEE to use them and modify its Equipment and service providers as needed.

6.4. Approved Suppliers.

FRANCHISOR may designate or approve specific suppliers (including FRANCHISOR or an affiliate) to provide products, equipment, goods or services to all or part of the Network. FRANCHISOR will maintain a list of Approved Suppliers in its System Manuals and may change the list from time to time. Approved or designated suppliers may vary by geographic region. FRANCHISEE will use only FRANCHISOR's designated or approved suppliers as applicable to specific products, equipment, goods or services as designated in the System Manuals.

6.5. Compliance with System Manuals and Standards.

FRANCHISEE shall conduct the Franchised Business in strict compliance with all quality and service standards and specifications, and other requirements, standards, procedures, specifications and policies established by FRANCHISOR. Without limiting the foregoing, FRANCHISEE will at all times comply with the latest version of the System Manuals,

which may be modified from time to time by FRANCHISOR in its sole discretion, provided that the cost of complying with any modifications shall be reasonable.

6.6. Compliance with Laws and Good Business Practices.

FRANCHISEE will comply with all federal, state and local laws, regulations and ordinances applicable to the Franchised Business, including but not limited to local or state licensing requirements, public health, sanitation and safety requirements, workplace and occupational safety requirements, employment regulations, the Americans With Disabilities Act and other laws concerning access to the Premises and all permit requirements. While FRANCHISOR may provide information about such laws, regulations and ordinances, FRANCHISEE is solely responsible for identifying and complying with those laws, regulations and ordinances applicable to the Franchised Business. FRANCHISEE is solely responsible for and shall promptly pay all taxes, license fees, assessments, rent, trade obligations and all other debts and obligations of the Franchised Business. FRANCHISEE shall conduct the Franchised Business in an ethical, competent, courteous and professional manner. FRANCHISEE shall not take or omit to take any action or permit any action by any person under its control that may damage, tarnish or detract from the goodwill and reputation associated with the Marks, the Network or FRANCHISOR.

6.7. Customer Service.

FRANCHISEE will comply with FRANCHISOR's standards for customer service. Without limiting the foregoing, during the period of operation required under Section 6.2 above, FRANCHISEE will check telephone and email messages each business day and respond to all messages from customers, referral sources and potential customers within twenty four (24) hours of receipt or by the next business day. FRANCHISEE will respond promptly, courteously and substantively to customer inquiries and any complaints regarding the Franchised Business or the customer's experience with the Franchised Business and will otherwise conduct the Franchised Business so as to promote good customer and business relations. FRANCHISOR may establish standards for customer satisfaction and/or refund policies and FRANCHISEE shall abide by all such standards and policies. FRANCHISEE shall abide by FRANCHISOR's policies, prohibitions or programs concerning gift cards or certificates, coupons and promotions and will participate in any gift card or certificate programs that FRANCHISOR may establish.

6.8. Communication with FRANCHISOR.

FRANCHISEE shall return all FRANCHISOR telephone calls and respond to all other communications from FRANCHISOR to which a response is requested within a reasonable length of time. FRANCHISEE shall inform FRANCHISOR of any material problems it encounters with the use any part of the Straw Hat System, the Straw Hat Methods, any of the Approved Products or Approved Suppliers.

6.9. Approved Products.

FRANCHISEE may offer and sell only Approved Products through the Franchised Business. FRANCHISOR may modify what constitutes Approved Products in its

discretion, provided the modification does not fundamentally change the nature of the Franchised Business. The list of Approved Products will be maintained in the System Manuals.

6.10. Advertising.

FRANCHISEE may only use advertising, marketing and promotional materials (including communications in print, broadcast, on the Internet and in other media or form) that are either supplied by FRANCHISOR or that meet the standards and specifications contained in the System Manuals or other writings from FRANCHISOR. FRANCHISEE will submit all advertising, marketing and promotional materials not provided by FRANCHISOR to FRANCHISOR for approval before use. As the owner of the Marks and the System, FRANCHISOR maintains the absolute right to determine in its sole discretion whether any advertising, marketing or promotional materials used by or proposed for use by FRANCHISEE are permissible. FRANCHISEE, on notice from FRANCHISOR, will refrain from using or discontinue use of any such materials that FRANCHISOR deems inappropriate for any reason. FRANCHISOR reserves to itself the exclusive right to establish and maintain a Website site on the Internet identified by or using the Marks or any derivative thereof in a domain name or otherwise.

6.11. Best Efforts, Management and Staffing.

During the term of this Agreement, FRANCHISEE shall use best efforts to fully develop the market within the Territory for the Approved Products, and to promote the Franchised Business and maximize Adjusted Gross Sales. If FRANCHISEE or the Operating Principal does not personally manage the Restaurant full time, FRANCHISEE must hire and train qualified persons to manage the Restaurant in FRANCHISEE's absence. FRANCHISEE shall hire, train and maintain staff for the Franchised Business as needed to ensure its operation is consistent with all quality and customer service standards and the requirements of the System Manuals.

6.12. Pricing Guidelines.

FRANCHISOR will provide guidelines and policies concerning pricing of the Approved Products and FRANCHISEE will follow all such reasonable guidelines and policies. FRANCHISEE recognizes that pricing products according to these guidelines and policies is a key element in establishing and maintaining an appropriate and consistent image for the Network

6.13. Minimum Sales Requirement.

FRANCHISEE must achieve Adjusted Gross Sales per unit governed by this Agreement of at least Two Hundred Fifty Thousand Dollars (\$250,000.00) per Year.

6.14. Image.

FRANCHISOR has established and wishes to foster a certain image and ambience for all Restaurants and the Network. FRANCHISEE acknowledges that image and ambience are critical to building and maintaining the goodwill and reputation associated with the Marks and

the Network. Accordingly, FRANCHISEE will strictly comply with all standards, specifications or prohibitions issued by FRANCHISOR concerning image and ambience.

7. SUPPLIER ARRANGEMENTS

7.1. Approved Suppliers.

FRANCHISOR or an affiliate may but shall not be obligated to make purchasing arrangements with suppliers to provide Approved Products, Equipment or other goods or services to FRANCHISEE or the Network. FRANCHISEE will look solely to the supplier for performance. In no event will FRANCHISOR or any affiliate be responsible or liable for the performance, decisions, acts or omissions of any Approved Supplier or other supplier. FRANCHISOR shall have no liability to FRANCHISEE for the discontinuation of any supplier's business, any product line or any changes in purchasing arrangements with any supplier. FRANCHISEE understands and agrees that any supplier and FRANCHISOR may communicate freely with each other concerning purchases made by FRANCHISEE and other matters relevant to the Franchised Business or the Network.

7.2. Approval of New Suppliers.

FRANCHISOR has sole discretion regarding approval of suppliers of Approved Products, Equipment or other goods or services, and may periodically add or delete suppliers from its list of approved suppliers. FRANCHISOR shall notify FRANCHISEE when approved suppliers change. FRANCHISEE may request that FRANCHISOR consider approving a new supplier by providing a written request including identification of the supplier and its products. FRANCHISOR may require FRANCHISEE to provide a sample of the products for testing and evaluation, at FRANCHISEE's expense.

7.3. Rebates.

FRANCHISOR may negotiate and receive rebate payments from approved suppliers for purchases made by FRANCHISEE.

8. FEES AND REPORTS

8.1. Franchise Fee.

(a) FRANCHISEE shall pay FRANCHISOR an initial franchise fee of _____ Thousand Dollars (\$_____) in full on signing of this Agreement. Initial franchise fees are not refundable for any reason and are fully earned on receipt.

8.2. Royalties.

FRANCHISEE will pay to FRANCHISOR per Restaurant governed by this Agreement, for each Year under this Agreement the Percentage Royalty in the manner provided below in Section 8.3. FRANCHISEE shall accurately report sales made through each Restaurant as the Adjusted Gross Sales of that Restaurant. FRANCHISEE may not transship orders for one unit to another or place orders through a Restaurant other than the one where the order was taken or manipulate the timing of orders or the making of bank deposits as a means of avoiding or

lessening the payment of Percentage Royalty. The taking of any such actions will constitute an intentional understatement of Adjusted Gross Sales and a material default of this Agreement.

8.3. Royalty Remittance.

FRANCHISEE will pay to FRANCHISOR for each Restaurant governed by this Agreement the sum of _____ Percent (____%) of FRANCHISEE's Adjusted Gross Sales per week as its Royalty Fee.

8.4. Method of Payment of Periodic Fees.

(a) FRANCHISOR shall collect periodic fees through a preauthorized bank deduction procedure ("ACH"). FRANCHISEE agrees to execute all documents necessary to permit FRANCHISOR to withdraw fees from its bank account by ACH and to update such documentation as necessary to maintain FRANCHISOR's ability to do so. FRANCHISEE must not cancel the preauthorized bank deduction procedure and FRANCHISEE must require FRANCHISEE's bank to provide written notice 30 days in advance of any changes to FRANCHISEE's account, which would affect it. FRANCHISEE releases, indemnifies and agrees to defend FRANCHISEE's bank from and against any obligation, loss liability or damage or cause by, or related to, payments pursuant to the preauthorized bank deduction procedure. On each Tuesday, FRANCHISEE must report to FRANCHISOR by electronic means the Restaurant's gross sales for the week ending on the preceding Sunday. FRANCHISOR will debit FRANCHISEE's account on Tuesday for the Royalty and Advertising fees. FRANCHISEE must make the necessary funds available in FRANCHISEE's account for withdrawal before each Wednesday.

(b) If FRANCHISEE does not report the Restaurant's gross sales on a weekly basis, FRANCHISOR may debit FRANCHISEE's account each Tuesday for 120% of the amount it debited during the previous week. If the amount FRANCHISOR debits from FRANCHISEE's account is less than the amount FRANCHISEE actually owe (once FRANCHISOR determines the Restaurant's gross sales for the week), FRANCHISOR will debit FRANCHISEE's account for the rest of the amount due on the following Tuesday. If the amount FRANCHISOR debits exceeds the amount FRANCHISEE actually owes for the week, FRANCHISOR will credit the excess against the amount it otherwise would debit from FRANCHISEE's account on the following Tuesday.

8.5. Inspection, Audits and Records.

(a) FRANCHISOR or its authorized representatives have the right to visit and inspect the Franchised Business and each Restaurant to ensure compliance with all operational standards and other requirements at any reasonable time, without notice. FRANCHISOR may also inspect, review, audit, and/or copy FRANCHISEE's books and records to verify FRANCHISEE's compliance with the terms and conditions of this Agreement, including but not limited to its reporting and payment obligations: (i) without cause, no more than twice during the term of this Agreement or (ii) with cause at any time. "Cause" for purposes of conducting an inspection or audit of the books and records includes any circumstance that reasonably leads FRANCHISOR to believe that FRANCHISEE has failed to comply with reporting or payment obligations, or has committed some other material default under the Agreement. "Books and

records" as used herein includes but is not limited to sales tax records, tax filings and tax returns, bank statements, bills, customer invoices and sales receipts, purchase orders and invoices, cancelled checks, electronic banking records and payroll records. In the case of an inspection or audit of the books and records, FRANCHISEE must provide FRANCHISOR with full access to the books and records wherever they are located and in whatever medium they are kept (paper or electronic or otherwise).

(b) The exercise by FRANCHISOR of the right to audit or the acceptance by FRANCHISOR of any statement or payment shall be without prejudice to any of FRANCHISOR's rights or remedies and shall not bar FRANCHISOR from thereafter disputing the accuracy of any payment or statement, and FRANCHISEE shall remain fully liable for any balance due under this Agreement.

(c) FRANCHISEE shall maintain adequate books and records of the Franchised Business in accordance with any standards and requirements FRANCHISOR may establish for record keeping and accounting. Unless otherwise specified by FRANCHISOR, FRANCHISEE shall maintain such books and records for a period of not less than three (3) years from the date of the transactions to which such records relate. FRANCHISEE shall provide to FRANCHISOR at the time and in the form as may be required by FRANCHISOR, monthly profit and loss statements for each Quarter and each Year. The Operating Principal, on behalf of FRANCHISEE, shall certify that such all such statements are complete and accurate. FRANCHISOR may require such statements to be reviewed or certified by an independent Certified Public Accountant.

(d) If FRANCHISOR determines that FRANCHISEE is not in compliance with the System, FRANCHISOR will provide written notice of default as provided in Section 12.4 of this Agreement, if FRANCHISOR conducts a reinspection to ensure compliance, FRANCHISEE shall pay the reasonable cost of such inspection.

8.6. Underpayments.

If FRANCHISOR determines, through an audit or upon other reliable evidence, that FRANCHISEE has not fully paid any Royalties or other amounts due under this Agreement, FRANCHISEE will be liable for immediate payment to correct such underpayments, and for interest on the underpaid amount at the rate of one percent (1.0%) per month, or at the highest legal rate if lower, accruing from the date that such payments were actually due to FRANCHISOR. In such case, if FRANCHISEE does not remit the payment required within ten (10) days after receipt of demand, FRANCHISOR shall have the authority to initiate an electronic funds transfer from FRANCHISEE's bank account for the amount of the underpayment plus the interest due. In addition, if any inspection or audit indicates there was an intentional understatement of any magnitude or an understatement or underpayment of Royalties due for any year in excess of two percent (2.0%) of the Royalty originally reported, FRANCHISEE will promptly reimburse FRANCHISOR for the costs and expenses of conducting any the inspection or audit, including but not limited to FRANCHISOR's agents' fees, travel expenses, meals and lodging..

8.7. Interest on Late Payments.

In addition to any other remedy available to FRANCHISOR, if any amount due under this Agreement is not timely paid for any reason: (i) interest shall accrue and be payable on such unpaid principal amount from and after the date on which the same became due, at one percent (1.0%) per month, or the highest legal rate if lower.

9. ADVERTISING AND PROMOTION

9.1. Advertising Fees.

FRANCHISEE shall pay FRANCHISOR an advertising fee of up to Three Percent (3%) of its Adjusted Gross Sales per week. As of the Effective Date, FRANCHISEE is required to pay FRANCHISOR One Percent (1%), but FRANCHISOR, in its discretion, may increase this amount on ninety (90) days' prior written notice to FRANCHISEE. FRANCHISOR shall use the advertising fees for advertising and marketing on behalf of the System. This advertising shall be to promote public and consumer awareness of the System generally, and the nature and location of such advertising shall be in FRANCHISOR's sole discretion. FRANCHISOR does not promise that any such advertising will benefit each Restaurant in the Network to the same extent or will benefit FRANCHISEE in proportion to the amount FRANCHISEE pays. FRANCHISOR may use up to Thirty-Three Percent (33%) of the advertising fees collected to pay for administrative expenses, including reimbursement of its own reasonable expenses in administering the advertising fund. FRANCHISEE will not be entitled to a refund of any amounts paid under this paragraph on termination, nonrenewal or expiration of this Agreement for any reason by either party. FRANCHISOR may increase or otherwise change the advertising payment and provisions for Network advertising in any future franchise agreements it may grant in its discretion.

9.2. Local Advertising.

FRANCHISEE shall be responsible for all advertising, marketing and promotion done in the Territory and in the local market area of the Restaurant. FRANCHISEE is required to spend Two Percent (2%) of its Adjusted Gross Sales per month on local marketing. FRANCHISEE shall submit receipts to FRANCHISOR proving FRANCHISEE's spending of the required amount, no less frequently than once per calendar quarter, unless otherwise approved by FRANCHISOR. FRANCHISEE will conduct all local marketing activities in compliance with Section 6.10 of this Agreement. In addition, FRANCHISEE will focus its advertising and marketing efforts within the Territory and will abide by any policies and restrictions FRANCHISOR may impose on extra-Territorial advertising, marketing and promotional activities.

9.3. Franchisee Ad Council.

FRANCHISOR reserves the right to create a national advertising council comprised of three (3) franchisees elected by annual vote of all franchisees in good standing. This Franchisee Ad Council will meet periodically with FRANCHISOR to discuss advertising expenditures and strategy. The Franchisee Ad Council is merely advisory, and lacks any

authority to direct or veto advertising decisions by FRANCHISOR. It may be dissolved by FRANCHISOR, once created, at any time.

9.4. Access to Records.

FRANCHISOR shall provide a balance sheet showing a summary of advertising revenues collected, distributed and accrued to FRANCHISEE once a year.

10. CONFIDENTIAL INFORMATION AND NONCOMPETITION

10.1. Confidential Information.

(a) FRANCHISEE will have access to certain confidential information (“Confidential Information”) concerning FRANCHISOR, the System, other Straw Hat franchisees and related matters, all of which are the sole property of FRANCHISOR. FRANCHISEE shall treat all Confidential Information strictly in accordance with the terms set forth in this Article 10 and the System Manuals. “Confidential Information” means and includes: any information disclosed by FRANCHISOR to FRANCHISEE or generated in the operation of the Franchised Business, whether disclosure is direct or indirect, in writing, orally or by inspection of tangible objects or observation of procedures, and includes but is not limited to: (i) FRANCHISOR’s business strategies, plans and objectives, including but not limited to development, marketing, advertising and promotional strategies, proposals and plans; (ii) the System; (iii) the content of the System Manuals, training programs and materials; (iv) the Straw Hat Methods; (v) any proprietary computer system or program of FRANCHISOR; (vi) FRANCHISOR’s pricing guidelines; (vii) information on identity of designated or approved suppliers and the pricing and other arrangements with such suppliers, as well as information which is designated as “Confidential,” “Proprietary” or some similar designation, and information disclosed under circumstances that reasonably indicate that it is considered Confidential Information.

(b) Confidential Information shall not include any information that: (i) was publicly known and made generally available in the public domain prior to the time of disclosure by FRANCHISOR; (ii) becomes publicly known and made generally available after disclosure by FRANCHISOR to FRANCHISEE through no action or inaction of FRANCHISEE; (iii) is already in the possession of FRANCHISEE at the time of disclosure by FRANCHISOR as shown by FRANCHISEE’s files and records immediately prior to the time of disclosure; (iv) is obtained by FRANCHISEE from a third party without a breach of such third party’s obligations of confidentiality; or (v) is independently developed by FRANCHISEE without use of or reference to the FRANCHISOR’s Confidential Information, as shown by documents and other competent evidence in FRANCHISEE’s possession.

10.2. Protection of Confidential Information.

(a) FRANCHISEE may only use the Confidential Information in the development and operation of the Franchised Business and for no other purpose. FRANCHISEE shall not use or disclose, directly or indirectly, any Confidential Information, whether in tangible or intangible form, to any person except as may be expressly permitted by FRANCHISOR in writing. FRANCHISEE shall at all times keep all of the Confidential

Information in a secure manner that prevents unauthorized access. FRANCHISEE shall not copy, reproduce, duplicate or redact the Confidential Information in any form. FRANCHISEE shall take all reasonable measures to prevent the unauthorized use and disclosure of Confidential Information, and to prevent unauthorized persons or entities from obtaining or using such Confidential Information. FRANCHISEE further agrees to refrain from directly or indirectly taking any action that would constitute or facilitate the unauthorized use or disclosure of such Confidential Information. FRANCHISEE will follow FRANCHISOR's directives, including any requirements of the System Manuals, regarding the protection of the Confidential Information.

(b) FRANCHISEE may disclose Confidential Information to its officers, owners, executives and employees only to the extent necessary to enable FRANCHISEE to operate the Franchised Business in compliance with this Agreement. Such disclosure may only be made to qualified and responsible officers, owners, executives, employees or contractors to the extent they need to know the information and who have entered into a form of confidentiality agreement satisfactory to FRANCHISOR. FRANCHISEE must obtain from all employees and contractors, upon their engagement, signed confidentiality agreements in a form satisfactory to FRANCHISOR. FRANCHISEE shall be liable for any unauthorized use and disclosure of Confidential Information by its employees, contractors, owners, affiliates or anyone controlled by or under common control with FRANCHISEE. FRANCHISEE shall not be liable for disclosure of such Confidential Information as FRANCHISEE is required by law or court order to disclose, provided that FRANCHISEE gives FRANCHISOR prompt written notice of such requirement prior to such disclosure and cooperates with FRANCHISOR in seeking an order protecting the information from public disclosure.

10.3. Duration and Survival.

With respect to any Confidential Information that qualifies as a trade secret under applicable law, the prohibitions against disclosure and restrictions on use shall continue throughout the term of this Agreement and for as long thereafter as said Confidential Information remains a trade secret or for a period of two (2) years after expiration, termination or nonrenewal of the franchise granted hereunder, whichever is longer. With respect to any Confidential Information that does not qualify as a trade secret, the prohibitions against disclosure and restrictions on use shall continue throughout the term of this Agreement and for a period of two (2) years after expiration, termination or nonrenewal of the franchise granted hereunder. The obligations regarding nondisclosure of Confidential Information set forth in this Article 10 shall survive the termination or expiration of this Agreement.

10.4. Noncompetition.

Because FRANCHISEE will have access to Confidential Information and irreparable damage to FRANCHISOR could result were it to be used in a Competitive Business, and because it would be difficult, if not impossible, for FRANCHISEE to operate a Competitive Business and also fully and faithfully perform its obligations hereunder, FRANCHISEE agrees:

(a) FRANCHISEE and its shareholders, partners or other owners shall not directly or indirectly establish, assist, engage in or have any direct or indirect interest, whether as an owner, partner, shareholder, employee, salesperson, consultant, officer, director, principal or

agent, security holder, lender, investor or guarantor of or for the benefit of, in any Competitive Business at any location during the term of this Agreement or any renewals hereof.

(b) Notwithstanding the above, FRANCHISEE may own, directly or indirectly, solely as a passive investor, securities of any Competitive Business, if such securities are traded on any national securities exchange and FRANCHISEE:

(1) is not a controlling person of, or a member of a group which controls, such Competitive Business, and

(2) does not, directly or indirectly, own more than one percent (1%) of any class of securities of such Competitive Business.

(c) FRANCHISEE'S immediate family members, including the immediate family members of all equity owners of FRANCHISEE if FRANCHISEE is not a natural person, shall not directly or indirectly establish, assist, engage in or have any direct or indirect interest, whether as an owner, partner, shareholder, employee, salesperson, consultant, officer, director, principal or agent, security holder, lender, investor or guarantor of or for the benefit of, in any Competitive Business for a period of one year from the date of the Restaurant opening.

For purposes of this Section 10.4, licensing, selling, providing or otherwise making available to any other business or person any information that would enable such business or person to provide retail services competitive with those offered by Restaurants in the Network shall be deemed a form of assisting a Competitive Business and is prohibited hereunder.

10.5. Compliance by Related Parties.

FRANCHISEE shall cause each of its owners, shareholders and partners and any other person, company, partnership or entity that directly or indirectly controls, is controlled by, or is under common control with FRANCHISEE (collectively "Related Parties") to comply with and fully observe the provisions of this Article 10 and, at FRANCHISOR's request, shall require such Related Parties to execute a form of Non-Disclosure and Non-Competition Agreement as may be approved by FRANCHISOR.

10.6. Enforcement.

If FRANCHISEE breaches, or if any of FRANCHISEE's Related Parties breach, any of the provisions of this Article 10 (the "Restrictive Covenants"), FRANCHISOR shall have the following rights and remedies, each of which shall be independent of the other and severally enforceable, and all of which shall be in addition to, and not in lieu of, any other rights and remedies available to FRANCHISOR under law or in equity:

(a) To have the Restrictive Covenants specifically enforced, by preliminary injunction or otherwise, by any court having jurisdiction, all without the need to post a bond or any other security or to prove any amount of actual damage or that money damages would not provide an adequate remedy, it being acknowledged and agreed that any such breach or

threatened breach will cause irreparable injury to FRANCHISOR and that monetary damages will not provide an adequate remedy to FRANCHISOR; and

(b) To require FRANCHISEE:

(i) to account for and pay over to FRANCHISOR all compensation, profits, monies, accruals, increments and other benefits derived or received by FRANCHISEE or any Related Party deriving such benefits as a result of any such breach of the Restrictive Covenants; and

(ii) to indemnify and hold harmless FRANCHISOR and each of its officers, directors, stockholders, employees, agents, attorneys and their respective successors and assigns from and against any other losses, damages (including special and consequential damages), costs and expenses, including actual attorneys' fees and court costs (whether or not suit is filed), that may be incurred by FRANCHISOR and that may result from or arise out of any such breach or threatened breach of the Restrictive Covenants.

10.7. Narrowing of Restrictive Covenants.

FRANCHISOR may elect to enforce or demand enforcement of the Restrictive Covenants to their full extent or at FRANCHISOR's option, to such lesser extent as FRANCHISOR determines is necessary to protect its interest. If any court determines that any Restrictive Covenant, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions. If any court of competent jurisdiction determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable because of the duration or geographic scope of such provision, FRANCHISEE and FRANCHISOR consent to court reducing the duration or geographic scope of such provision so that it is valid and enforceable.

10.8. Grant-Back of Improvements.

If in the employment and utilization of the System, the Straw Hat Methods or in the operation of the Franchised Business, FRANCHISEE or any of FRANCHISEE's owners or employees make or acquire any Improvements, FRANCHISEE shall grant-back exclusive rights in such Improvements to FRANCHISOR in consideration of the grant of the franchise made under this Agreement and without the payment of additional consideration by FRANCHISOR. FRANCHISOR may include any Improvements made or acquired by FRANCHISEE in the Straw Hat Methods, the System Manuals and the System for use by all Straw Hat franchisees without the assessment of any additional license fees, but provided that all Adjusted Gross Sales derived from the use of such Improvements will be included in Adjusted Gross Sales subject to Royalty payments. Such improvements are deemed part of the system and will be confidential and subject to FRANCHISEE's post-termination obligations not to use or compete.

11. ASSIGNMENT AND RIGHT OF FIRST REFUSAL

11.1. Assignment by FRANCHISOR.

FRANCHISOR may freely assign this Agreement, and any or all of its rights and privileges hereunder to any other person, firm or corporation without FRANCHISEE's prior consent; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of FRANCHISOR:

- (a) FRANCHISOR shall determine in good faith if the assignee shall be financially responsible and economically capable of performing the obligations of FRANCHISOR hereunder; and
- (b) The assignee shall expressly assume and agree to perform such obligations.

11.2. Assignment by FRANCHISEE.

FRANCHISEE understands and acknowledges that the rights and duties created by this Agreement are personal to FRANCHISEE and its owners and that FRANCHISOR has granted the franchise to FRANCHISEE in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of FRANCHISEE and its owners. Accordingly, neither this Agreement nor the franchise (or any interest therein), nor any part or all of the ownership of FRANCHISEE or the Franchised Business (or any interest therein), may be transferred without the prior written approval of FRANCHISOR, and any such transfer without such approval shall constitute a breach hereof and convey no rights to or interest in this Agreement, the franchise, FRANCHISEE, or the Franchised Business. As used in this Article 11, a "transfer" requiring FRANCHISOR approval includes the voluntary, involuntary, direct or indirect assignment, sale, gift or other transfer of any interest in: (i) this Agreement; (ii) the franchise; (iii) the ownership of FRANCHISEE; or (iv) the Franchised Business or a substantial part of the assets used in the Franchised Business and includes any transfer of ownership of capital stock, partnership or membership interest; merger or consolidation or issuance of additional securities representing an ownership interest in FRANCHISEE; any sale of voting stock of FRANCHISEE or any security convertible to voting stock of FRANCHISEE, transfer of an interest in FRANCHISEE, this Agreement, the franchise or the Franchised Business in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or transfer of an interest in this Agreement, the franchise, FRANCHISEE, or the Franchised Business in the event of the death of FRANCHISEE or an owner, by will, declaration of or transfer in trust, or under the laws of intestate succession.

11.3. Conditions for Approval of Transfer.

If FRANCHISEE and its owners are in full compliance with this Agreement, FRANCHISOR will not unreasonably withhold its approval of a transfer that meets the requirements of this Section 11.3. The proposed transferee and its owners must be individuals of good moral character (in FRANCHISOR's judgment) and otherwise meet FRANCHISOR's then applicable standards for Straw Hat franchise owners. All the transferees must agree in writing to be bound by this Agreement and guarantee FRANCHISEE's performance hereunder. FRANCHISEE may not subdivide the Franchise or grant subfranchise rights. The Franchise

granted hereunder may only be transferred in connection with a transfer of the Franchised Business and the assets of the Franchised Business may only be transferred in connection with a transfer of the franchise. Additionally, if the transfer is of this Agreement or the entire Franchised Business or a substantial part of the assets used therein, or is a transfer of a Controlling Interest, or is one of a series of transfers which in the aggregate constitute or will effect such a transfer or a change in the Controlling Interest, all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

- (a) FRANCHISOR must have declined its right of first refusal under Section 11.6 below;
- (b) The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business in the judgment of FRANCHISOR;
- (c) FRANCHISEE must pay all amounts owed to FRANCHISOR or to any of its affiliates that are then owed and unpaid;
- (d) The transferee or person designated as the transferee's Operating Principal must complete FRANCHISOR's training program to FRANCHISOR's satisfaction;
- (e) The transferee, at the election of FRANCHISOR, must either assume this Agreement in writing or execute FRANCHISOR's then-current standard franchise agreement, which may be materially different from this Agreement, provided, however, that the term thereof need not be greater than the remaining term of this Agreement;
- (f) The transferee, if a business entity, must have all of its shareholders, partners, and/or owners execute personal guaranties of the obligations assumed under this Agreement;
- (g) FRANCHISEE or the transferee must have paid FRANCHISOR a transfer fee of Ten Thousand Dollars (\$10,000.00);
- (h) FRANCHISEE and its owners must execute a general release, in form satisfactory to FRANCHISOR, of any and all claims, whether known or unknown, against FRANCHISOR, any affiliates of FRANCHISOR and their respective shareholders, officers, directors, employees, agents, successors and assigns;
- (i) If any part of the sale price of the transferred interest is financed, the transferor must agree that all obligations of the transferee under or pursuant to any promissory note, agreements or security interests reserved by the transferor in the assets of the Franchised Business or the Premises shall be subordinate to the obligations of the transferee to pay fees, and other amounts due to FRANCHISOR and its affiliates; and
- (j) The transferor and FRANCHISEE must execute a noncompetition covenant in favor of the transferee in a form satisfactory to FRANCHISOR.

11.4. Death or Disability.

Upon the death, permanent disability or legal incapacity of FRANCHISEE or the owner of the controlling interest in FRANCHISEE, FRANCHISOR shall permit the heirs, personal representative, executor or conservator to continue operating the Franchised Business subject to compliance with all terms and conditions of this Agreement for a period of One Hundred Twenty Days (120) after such death, disability or legal incapacity, and by the end of said 120 day period, such heirs, personal representatives or conservator must either have passed FRANCHISOR's training, or the interest of FRANCHISEE or the owner of the Controlling Interest must be transferred to a new owner subject to all provisions of and satisfaction of all conditions provided in Section 11.3 above.

11.5. Effect of Consent and Transfer.

FRANCHISOR's consent to any transfer under this Article 11 and any transfer hereunder shall in no event constitute a novation or a release of FRANCHISEE or any of its partners, shareholders or other owners or of any guarantors of this Agreement.

11.6. FRANCHISOR's Right of First Refusal.

At least sixty (60) days prior to any proposed transfer: (i) of this Agreement or the franchise hereunder; or (ii) the Franchised Business or (iii) a substantial part of the assets used therein; or (iv) that would effect a change in the Controlling Interest, FRANCHISEE will provide FRANCHISOR with written notice of the proposed transfer, including all of the terms and conditions of the proposed transfer, the identity of the proposed transferee and a copy of any bona fide offer, proposed agreement to transfer or letter of intent for the proposed transfer. FRANCHISOR or its designee shall have fifteen (15) business days after receipt of the foregoing information in which to elect to acquire the interest to be transferred on the same terms and conditions as those contained in the notice. FRANCHISOR or its designee will not be required to match any terms and conditions that relate to an offer to buy or acquire any rights or assets or to assume any liabilities unconnected with the Franchised Business and may require that such terms and conditions be excluded from the offer and the offer restated to reflect the transfer only of rights, assets and liabilities related to the Franchised Business. FRANCHISOR or its designee may substitute equivalent cash consideration for any non-cash consideration included in the offer. If this right of first refusal is exercised, FRANCHISOR or its designee shall be entitled to acquire the interest subject to all customary representations and warranties from the transferor as to title and ownership of stock or assets, condition of the assets, liens and encumbrances, liabilities and contingent liabilities.

11.7. Type of Franchisee.

(a) If FRANCHISEE is not a natural person but is a business entity e.g., a corporation, partnership or limited liability company, in that event all owners of that entity must execute a form of undertaking and unconditional guaranty required by FRANCHISOR (the current form of which is attached to this Agreement as Exhibit C) agreeing to be bound by all the terms, conditions and covenants (including Restrictive Covenants) of this Agreement and to be jointly and severally liable for the payment of all debts and obligations hereunder. Additionally, in such cases:

(i) There must always be an individual shareholder, partner or owner designated by FRANCHISEE and approved in writing by FRANCHISOR as the Operating Principal and designated contact person for FRANCHISEE and that person shall be deemed to have full authority in matters concerning the Franchised Business FRANCHISOR shall be entitled to rely on the acts, representations and decisions of that person in relation to the Franchised Business;

(ii) FRANCHISOR must receive copies of any articles of incorporation, formation documents, operating agreement, partnership agreement, by-laws and other organizational documents and changes thereto;

(iii) FRANCHISEE will provide to FRANCHISOR, and update upon any change, a complete list of the current officers, shareholders, partners, members or other owners and their respective titles within the organization and the amount of their respective ownership interests in FRANCHISEE which list will be updated by notice to FRANCHISOR as changes occur;

(iv) All shares of capital stock in any corporation must bear the following legend: "The sale or other transfer of the shares of stock represented by this certificate is restricted by and subject to the terms and conditions of a written franchise agreement with Straw Hat Restaurants, Inc.";

(v) All shareholders, partners, members owners must be natural persons;

(vi) The corporation, partnership or limited liability company may not own or be engaged in any business or enterprise other than the Franchised Business and its shareholders, partners, members or owners may not own or be engaged in any Competitive Business.

(b) If FRANCHISEE is a natural person or a partnership, FRANCHISEE may transfer this Agreement and its interest in the Franchised Business to a corporation or limited liability company that is and will be owned solely by the same natural persons as were FRANCHISEE or partners before and only upon written notice to FRANCHISOR, subject to compliance by the corporation or company and by FRANCHISEE with all provisions of this Section 11.7 (including the undertaking and guaranty) and upon the corporation or limited liability company executing a written assumption of all obligations of FRANCHISEE under this Agreement and the provision to FRANCHISOR of a copy of a resolution of the corporation's board of directors or company's members authorizing such assumption. Any such transfer that complies with this paragraph shall not be considered a transfer of a controlling interest for purposes of the conditions set forth in Section 11.3 or 11.6 of this Agreement.

11.8. FRANCHISEE Information.

FRANCHISOR shall have the right, but not the obligation, to furnish any prospective transferee or assignee of the Franchised Business or an interest therein or in FRANCHISEE with copies of all financial statements furnished by FRANCHISEE to FRANCHISOR in accordance with this Agreement during the three (3) year period prior to the date the approval of the proposed assignment, transfer or sale is sought. FRANCHISOR shall

also have the right, but not the obligation to advise any prospective assignee of any uncured breaches or defaults by FRANCHISEE under this Agreement, or any under other agreement relating to the Franchised Business or any other material information relative to the Franchised Business. FRANCHISOR shall have no liability to FRANCHISEE or its owners for making any such disclosures to a proposed transferee or assignee. FRANCHISOR's approval of such proposed transaction shall not, however, be deemed a representation or guarantee by FRANCHISOR that the terms and conditions of the proposed transaction are economically sound or that, if the transaction is consummated, the assignee will be capable of successfully conducting the Franchised Business and no inference to such effect shall be made from such approval.

12. TERM, RENEWAL AND TERMINATION

12.1. Initial Term.

This Agreement shall have an initial term of ten (10) years commencing on the Effective Date. Unless the license and franchise are renewed in accordance with Section 12.2 below, they shall automatically expire with this Agreement upon the expiration of the initial term.

12.2. Renewal.

If FRANCHISEE has substantially complied in all respects with the terms and conditions of this Agreement during its initial term, including but not limited to meeting the sales requirements stated in Section 6.12, FRANCHISEE shall have the right to renew the franchise granted hereunder for one (1) additional term of ten (10) years, but only if FRANCHISEE:

- (a) Provides written notice to FRANCHISOR of intent to renew at least one hundred eighty (180) days before expiration of the term and pays FRANCHISOR a renewal fee of Ten Thousand Dollars (\$10,000.00);
- (b) Provides FRANCHISOR with a copy of the lease for the Premises showing FRANCHISEE's right and ability to possess the Premises for the renewal term requested;
- (c) At least thirty (30) days before expiration of the term, at FRANCHISOR's election, executes FRANCHISOR's then-current form of franchise agreement which may contain terms materially different from those herein and which may include modified terms as appropriate for renewal franchisees (e.g., limitation on further renewals, no initial training, no initial franchise fee);
- (d) Executes a general release in the form required by FRANCHISOR releasing FRANCHISOR and any of its owners, officers, affiliates and other related parties from any and all claims arising up to and through the expiration date of the initial term;
- (e) Before expiration of the term, attends and completes, to FRANCHISOR's satisfaction, any refresher training class required by FRANCHISOR;

(f) Prior to expiration of the term, cures any defaults which may arise prior to expiration provided that the foregoing shall not diminish any of FRANCHISOR's rights under Section 12.3 or 12.4 below;

(g) Maintains possession of the Premises or locates substitute Premises for the Restaurant(s) in the Territory approved by FRANCHISOR

(h) Brings any Premises up to FRANCHISOR's then-current standards which may require expenditures for remodeling, redecoration and new Equipment, among others; and

(i) Pays any amounts owed to FRANCHISOR or any of its affiliates and Approved Suppliers.

FRANCHISEE understands there is only one (1) renewal option and that any further renewal or extension opportunities would require the agreement of FRANCHISOR and may be denied by FRANCHISOR in its sole discretion. There is no assurance of any further renewal.

12.3. Immediate Termination.

FRANCHISOR shall have the right to terminate this Agreement immediately upon written notice without opportunity to cure under the following circumstances:

(a) If FRANCHISEE fails to locate a suitable Premises within 180 days of the Effective Date of this Agreement, or fails to timely open the Franchised Business as required in Section 6.1 of this Agreement;

(b) If FRANCHISEE does not fulfill the initial training requirements to FRANCHISOR's satisfaction;

(c) If FRANCHISEE abandons the Franchised Business which includes but is not limited to FRANCHISEE's admission that the Franchised Business has been or is about to be permanently closed prior to the expiration of the term of this Agreement or FRANCHISEE's failure, at any time during the term of this Agreement, to keep the Franchised Business open as required under Section 6.2 of this Agreement for five (5) or more consecutive days, fails to expeditiously repair damaged Premises or failure to reopen within one (1) year if the damage to Premises is severe, or under any other circumstances that make it reasonable to conclude that FRANCHISEE does not intend to continue to operate the Franchised Business;

(d) If FRANCHISEE is adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), or admits to its inability to meet its financial obligations as they become due, or makes a disposition for the benefit of its creditors;

(e) The Franchised Business or a substantial part of the assets used in the Franchised Business are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder;

(f) If FRANCHISEE or the owner of the Controlling Interest is convicted of or pleads no contest to any criminal misconduct relevant to the operation of the Franchised

Business or is convicted of or pleads no contest to any felony, or engages in any conduct that reflects materially and unfavorably on the operation and reputation of the Franchised Business, the System or the Network;

(g) If there is a transfer or purported transfer, as defined in Section 11.2 of this Agreement, in violation of the requirements of Section 11.2 or Section 11.3 of this Agreement;

(h) If FRANCHISEE makes any material misrepresentations relating to the acquisition of the Franchised Business or in connection with the operation of the Franchised Business, including any intentional understatement of Adjusted Gross Sales;

(i) If FRANCHISEE fails, for a period of ten (10) days after receiving notification of non-compliance from FRANCHISOR or any governmental or quasi-governmental agency or authority, to comply with material federal, state or local law or regulation applicable to the operation of the Franchised Business, or has a suspension of its alcoholic beverage license for more than 65 days;

(j) If FRANCHISEE materially defaults under the same provision of this Agreement more than once in any Year whether or not corrected after notice;

(k) If FRANCHISEE fails more than three (3) times within any two (2) consecutive Years to comply with one or more material requirements of this Agreement whether or not corrected after notice;

(l) If FRANCHISEE fails to pay any amount due to FRANCHISOR or any affiliate of FRANCHISOR within ten (10) days after receiving written notice that payment is past due;

(m) If FRANCHISEE or its owners violate any of the Restrictive Covenants of Article 10 of this Agreement;

(n) If FRANCHISEE fails to meet the sales requirements of Section 6.12 in any two (2) Years during the term of this Agreement or during the renewal term.

12.4. Termination After Opportunity to Cure.

Without limiting any right of FRANCHISOR to terminate under Section 12.3 above, FRANCHISOR may terminate this Agreement and the rights granted hereunder effective ten (10) days after written notice is given to FRANCHISEE of any material breach of any term, condition, covenant or requirement of this Agreement if such material breach is not cured within the 10 day period.

12.5. Termination by FRANCHISEE.

FRANCHISEE may terminate this Agreement only: (i) with the prior written consent of FRANCHISOR, or (ii) upon a material breach of this Agreement by FRANCHISOR that is not cured within ten (10) days after notice from FRANCHISEE; provided, however, that if, because of the nature of said breach, FRANCHISOR shall be unable to cure the same within the 10-day period, FRANCHISOR shall be given such additional time as shall be reasonably

necessary within which to cure said breach, which under any circumstance need not exceed an additional thirty (30) days.

12.6. Cross Default.

Any default by FRANCHISEE or any affiliate of FRANCHISEE under any other agreement with FRANCHISOR or any affiliate of FRANCHISOR shall be deemed a default under this Agreement, and any default by FRANCHISEE of this Agreement shall be deemed a default under any and all other such agreements with FRANCHISOR or any affiliate.

13. POST-TERMINATION OBLIGATIONS AND RIGHTS

13.1. FRANCHISEE's Duties.

Upon termination, nonrenewal or expiration of this Agreement for any reason or cause, FRANCHISEE shall have the following obligations, all of which shall be at FRANCHISEE's expense:

(a) FRANCHISEE will immediately and completely cease any and all use of the Marks or any other name or mark or trade dress confusingly similar to any of the Marks. The foregoing includes but is not limited to the obligation to cancel all advertising and fictitious business name statements or filings that incorporate any of the Marks, refrain from any use of the Marks to identify FRANCHISEE as a former franchisee of FRANCHISOR or to otherwise suggest a past or present affiliation between FRANCHISEE and FRANCHISOR.

(b) If FRANCHISOR or its designee is not assuming possession of the Premises, FRANCHISEE will promptly take such action as is necessary to change the trade dress of the Premises so that it does not resemble a Straw Hat Restaurant. At a minimum, interior and exterior signage containing the Marks will be removed within ten (10) days from the date of termination, unless FRANCHISOR grants an extension of such deadline in writing.

(c) FRANCHISEE will immediately cease using, in any manner, or for any purpose, directly or indirectly, any part of the Straw Hat Methods, the System or the Confidential Information and immediately deliver to FRANCHISOR:

(i) the System Manuals, all other manuals, bulletins, instruction sheets, and supplements thereto;

(ii) all forms, brochures, stationery, business cards and other printed matter containing any of the Marks or other devices, insignia, slogans and designs used by FRANCHISOR or Straw Hat businesses; and

(iii) the original and all copies of all Confidential Information provided to or maintained by FRANCHISEE in all media, including without limitation, all documents, computer disks and video tapes containing Confidential Information; and

(d) FRANCHISEE will within five (5) business days pay to FRANCHISOR or any affiliate all sums owed in connection with this Agreement or otherwise.

(e) FRANCHISEE will transfer to FRANCHISOR or its designee all of the telephone numbers FRANCHISEE has listed under "Straw Hat" in any telephone directory or other advertising;

(f) FRANCHISEE will comply with the provisions of any collateral assignment of lease and cooperate in transferring the Premises to FRANCHISOR if FRANCHISOR elects to assume the lease.

13.2. Termination Without Prejudice.

The expiration or termination of this Agreement shall be without prejudice to the rights of either party hereto against the other party and such expiration or termination shall not relieve either party of any of their obligations to the other party existing at the time of expiration or termination or terminate those obligations which expressly or by their nature, survive the expiration or termination of this Agreement.

14. INDEMNIFICATION, INSURANCE AND LIMITATIONS ON LIABILITY

14.1. Indemnification by FRANCHISEE.

FRANCHISOR shall have no liability for, and FRANCHISEE shall indemnify and hold harmless FRANCHISOR against any and all claims, liabilities, causes of action, requests for relief, judgments, costs (including reasonable attorneys fees), damages or liabilities that FRANCHISOR may incur or suffer arising out of: (i) FRANCHISEE's breach of this Agreement; (ii) the acts, omissions, negligence or intentional misconduct of FRANCHISEE or FRANCHISEE's owners, employees, contractors or agents; (iii) the operation of the Franchised Business; (iv) suitability of the Premises, and the design, construction, build-out, and materials of same; or (v) FRANCHISEE's failure to comply with any law or regulation or failure to perform any obligation or pay any debt.

14.2. Indemnification by FRANCHISOR.

Subject to the limitations expressly set forth in this Agreement, FRANCHISOR shall indemnify and hold harmless FRANCHISEE against any and all claims, liabilities, causes of action, requests for relief, judgments, costs (including reasonable attorneys fees), damages or liabilities that FRANCHISEE may incur or suffer arising out of: (i) a breach by FRANCHISOR of this Agreement; (ii) FRANCHISOR's negligence or willful misconduct; or (iii) FRANCHISOR's violation of any law or regulation.

14.3. Insurance.

(a) In addition to any insurance required of FRANCHISEE by the lease of the Premises, and without limiting its obligations under Section 14.1 of this Agreement FRANCHISEE shall procure and maintain in effect throughout the term of this Agreement general liability and other insurance coverage meeting FRANCHISOR's standards and issued by companies admitted and licensed to do business in the state where the Premises are located and having a Best's rating of not less than A. All liability insurance policies shall each include an endorsement naming FRANCHISOR as an additional insured on a primary basis and providing

for severability of interests so that the acts of FRANCHISEE shall not be imputed to FRANCHISOR. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance that may be maintained by FRANCHISOR.

(b) FRANCHISEE must supply FRANCHISOR with Certificates of Insurance currently in force and provide copies of the schedule of forms and endorsements comprising the policy and copies of the endorsements naming FRANCHISOR and FRANCHISOR's officers, directors, members, employees, and agents, as an additional insured where required. All Certificates of Insurance shall provide that the insurance may not be canceled or reduced in limits or scope of coverage except after at least thirty (30) days written notice by the insurer to FRANCHISEE and FRANCHISOR. If FRANCHISEE does not provide the required certificates, either initially or upon renewal, FRANCHISOR may, but shall not be obligated to obtain such insurance and FRANCHISEE shall reimburse FRANCHISOR for the cost thereof upon demand. All required insurance policies must be renewed annually and new Certificates of Insurance and copies of endorsements as required above provided to FRANCHISOR not less than thirty (30) days before expiration of each policy.

(c) FRANCHISEE understands and acknowledges that FRANCHISOR may, on notice and in its reasonable discretion, raise, lower or otherwise change the amounts and types of insurance required under this Section 14.3 and FRANCHISEE shall comply with such changed requirements no later than ninety (90) days after notice.

(d) The minimum amounts and types of insurance FRANCHISEE must maintain are as follows:

Workers' Compensation Coverage (Employer's liability) of \$1,000,000 or more.
Commercial General Liability written on an Occurrence basis.

Coverage must protect against demands or claims with respect to personal injury, death, or property damage.

Coverage must provide the following minimum limits:

- i) Occurrence Limit \$2,000,000 or \$1,000,000 with excess / umbrella coverage of no less than \$1,000,000.
- ii) Aggregate Limit \$3,000,000 or \$2,000,000 with excess / umbrella limit of no less than \$1,000,000.
- iii) Products / Complete Operations Aggregate Limit \$3,000,000 or \$2,000,000 with excess / umbrella limit of no less than \$1,000,000.
- iv) Broad Form Contractual Liability Limit \$2,000,000 or \$1,000,000 with excess / umbrella of no less than \$1,000,000.
- v) Liquor Liability \$2,000,000 or \$1,000,000 with excess / umbrella limit of no less than \$1,000,000 when serving any alcoholic beverages.

- vi) Non-Owned Auto Limit \$1,000,000 incidental coverage when store provides no delivery. With delivery \$2,000,000 or \$1,000,000 with excess / umbrella limit of no less than \$1,000,000. If the store provides delivery exclusively through professional third party services, the additional insurance for delivery is not required.
- vii) Fire Legal Liability Limit \$1,000,000 required when not providing a minimum of \$1,000,000 building coverage through a Property policy.

15. MISCELLANEOUS

15.1. Relationship of the Parties.

FRANCHISEE and FRANCHISOR are independent contractors. No fiduciary, employment, joint venture, agency or partnership relationship is created by or will be implied from this Agreement. Neither FRANCHISOR nor FRANCHISEE shall make any agreements, representations or warranties in the name of or on behalf of the other, nor represent that their relationship is other than an independent contractor, franchise relationship. FRANCHISEE shall at all times identify itself as an independently owned franchise of FRANCHISOR in all of its business dealings and to the general public. FRANCHISOR may require FRANCHISEE to display notices at the Premises, on invoices, brochures or other materials, that the Franchised Business is an independently owned and operated business of FRANCHISEE.

15.2. FRANCHISOR's Right To Cure Defaults.

In addition to all other remedies herein granted, if FRANCHISEE defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement, FRANCHISOR may, at its election, following ten (10) days written notice to FRANCHISEE, without waiving any claim for breach hereunder and without further notice to FRANCHISEE, cure such default for the account and on behalf of FRANCHISEE, and the cost to FRANCHISOR thereof shall be due and payable on demand and shall be deemed to be additional compensation due to FRANCHISOR hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of FRANCHISOR.

15.3. Waiver and Delay.

No waiver by either party of any breach or series of breaches or defaults in performance by the other party and no failure, refusal or neglect of either party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement or the System Manuals, shall constitute a waiver of the provisions of this Agreement or the System Manuals with respect to any subsequent breach thereof or a waiver by such party of its right at any time thereafter to require exact and strict compliance with the provisions thereof. No waiver of any provision of this Agreement shall be effective unless it is in a writing signed by the party whose rights are being waived.

15.4. Force Majeure.

Neither FRANCHISOR nor FRANCHISEE shall be in breach of this Agreement for any failure to perform any obligations or requirements of this Agreement that results from fire, flood, earthquake, or other act of God, war, terrorist act, riots, insurrection, labor strike, power or water outages (other than for reason of nonpayment by FRANCHISEE) or government shutdown provided that these events shall excuse or extend the time for performance only as reasonably necessary. However, no such causes shall excuse prompt payment of amounts due or owed.

15.5. Survival of Covenants.

The covenants contained in this Agreement, which, by their terms, require performance by the parties after the expiration, or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

15.6. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of FRANCHISOR and FRANCHISEE, subject to the restrictions on transfers contained herein.

15.7. Joint and Several Liability.

If FRANCHISEE or the Franchised Business is owned by more than one (1) person or entity, or a combination thereof, the obligations and liabilities of each such persons or entities to FRANCHISOR hereunder are joint and several.

15.8. Governing Law, Venue and Jurisdiction.

This Agreement and the legal relations among the parties hereto shall be governed by the laws of the State of California and, except that any claims arising under Article 10 (Confidential Information and Noncompetition) of this Agreement shall be governed by the laws of the state where the Franchised Business is located. For litigation of any claim arising under or in relation to this Agreement, FRANCHISEE and FRANCHISOR agree that disputes shall be submitted first to mediation and, if the dispute is not resolved, to the courts of the State of California, County of Contra Costa, or to the United States District Court for the Northern District of California. In no event shall either party file suit prior to giving at least thirty (30) days' notice of the dispute and proceeding to mediation if the responding party agrees to participate. Venue for mediation shall be Contra Costa County, California.

15.9. Entire Agreement.

This Agreement is the complete expression of the agreement made by FRANCHISOR and FRANCHISEE as to the subject matter hereof. Nothing in the Agreement is intended to disclaim the representations FRANCHISOR made in the Franchise Disclosure Document that FRANCHISOR furnished to FRANCHISEE. Any other agreements, promises, representations or understandings between the parties are expressly superseded hereby and merged herein. No

officer or employee or agent of FRANCHISOR has any authority to make any representation or promise not contained in this Agreement and FRANCHISEE agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by FRANCHISEE and FRANCHISOR.

15.10. No Warranty of Success.

FRANCHISOR does not represent and has not promised that FRANCHISEE will or is likely to be successful in or realize any profits from the operation of the Franchised Business. FRANCHISEE acknowledges and agrees that the success or failure or profitability of the Franchised Business is dependent on FRANCHISEE's efforts and business acumen and on other factors that are not within the FRANCHISOR's control. FRANCHISOR does not make any representations or warranties concerning current or continuing consumer acceptance of or market demand for the Approved Products or the retail services provided by the Restaurant.

15.11. Personal Guaranties.

If FRANCHISEE is anything other than a natural person, all individuals with an equity interest in FRANCHISEE must execute a personal guaranty, providing for joint and several liability for each and every obligation created under this Agreement.

15.12. Titles for Convenience.

Article and section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

15.13. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

15.14. Notices.

All notices given under or in connection with this Agreement shall be in writing and shall be sent by certified mail, return receipt requested, postage prepaid, or by reliable overnight courier such as Federal Express or by telefacsimile with the original to follow immediately by certified mail, return receipt requested, postage prepaid or reliable overnight courier, and sent to the principal business address of the receiving party, the current addresses being noted as follows:

If to FRANCHISEE: _____

Phone: (____) _____

Fax: (____) _____

If to FRANCHISOR: STRAW HAT RESTAURANTS, INC.
11501 Dublin Blvd., Suite 200
Dublin, California 94568
Phone: (925) 837-3400
Fax: (925) 820-1080

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives, as set forth below.

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

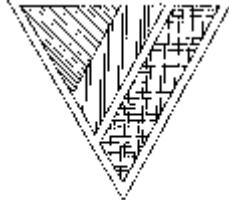
Name: _____

Title: _____

Date: _____

EXHIBIT A
TO STRAW HAT FRANCHISE AGREEMENT
THE MARKS

MARKS TO BE USED BY FRANCHISEES OF STANDARD STRAW HAT PIZZA RESTAURANTS

MARK	GOODS/SERVICES	REGISTRATION NO.
STRAW HAT PIZZA	Restaurant Services	U.S. Registration No. 1,103,644
	Restaurant services	U.S. Registration No. 1,150,087
	Restaurant services	U.S. Registration No. 1,104,542
	Restaurant services featuring pizza, salads, and desserts; including dine-in, carry out, and featuring home delivery	U.S. Registration No. 2,631,260
HOT HAT	Sandwiches for consumption on or off premises	U.S. Registration No. 3,312,655
MEAT-E-OR	Pizza for consumption on or off the premises	U.S. Registration No. 2,713,085

Linings represent the colors green, yellow and red

Triangle linings represent the colors green, red and yellow

EXHIBIT B
TO STRAW HAT FRANCHISE AGREEMENT
DESCRIPTION OF TERRITORY

1. The Territory is described as follows or is depicted on the map or maps attached hereto:

2. If more than one Restaurant is authorized under the Franchise Agreement, the number and timing of opening of Restaurants in the Territory shall be as follows:

3. The Operating Principal for FRANCHISEE (must be an owner) is:

FRANCHISOR

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT C
TO FRANCHISE AGREEMENT

OWNER'S GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution by Straw Hat Restaurants, Inc. ("FRANCHISOR") of that certain Franchise Agreement of even date herewith (the "Agreement") between FRANCHISOR and _____ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties including: _____ ("Guarantors")

hereby personally and unconditionally: (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement; and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel. Each Guarantor hereby expressly waives:

- (1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or non performance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability;
- (5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor; and
- (6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty shall be joint and several;
- (2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses to do so punctually;
- (3) such liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person;

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may, from time to time, grant to FRANCHISEE or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be irrevocable during the term of the Agreement; and

(5) the liability and obligations under this Guaranty and Assumption shall not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

Name: _____

Signature: _____

Date: _____

Name: _____

Signature: _____

Date: _____

EXHIBIT D

FRANCHISEE STATEMENTS REGARDING FRANCHISE SALES PROCESS

I, _____, am the person named below and have decided to enter into a Franchise Agreement (the "Franchise Agreement") with Straw Hat Restaurants, Inc. ("Franchisor") for the operation of a Straw Hat franchised business. I hereby make the following statements.

1. I understand that Franchisor is seeking true and correct responses about the matters set forth below in order to verify if anything improper was said or represented to me before I signed the Franchise Agreement. I understand there is no "correct" response and that honest responses are needed and I agree to provide them.

2. The date I received Franchisor's Offering Circular for Prospective Franchisees the "FDD") was _____ . The FDD was for the state of _____ (complete only if a specific state as listed on the Item 23 Receipt).

3. I had my first face to face meeting with a representative of the Franchisor to discuss the franchise on _____ (date) in (city and state).

4. I did not receive any oral, written or visual claim or representation about anything relevant to the franchise that contradicted or was not consistent with the information included in the FDD I received except as follows:

(Write "none" if none were made or provide details of contrary claims or representations, including who made them and when.)

5. No oral, written or visual representations were made that stated or suggested any specific level, range or amount of income, sales or profits could be made in a Straw Hat franchise, including any claims about "break even" or a return on investment or in any way relating to my financial prospects as a franchisee, other than those statements included in Item 19 of the FDD and as follows:

(Write “none” if none were made or provide details of any such claims or representations, including who made them and when.)

6. I have not been promised any “special deals” and no one has negotiated any terms and conditions contrary or in addition to those stated in the Franchise Agreement, except as follows:

(Write “none” if no such promises or negotiations were made or provide details of any such promises or negotiations, including who made them and when.)

WITNESS

FRANCHISEE

WITNESS

FRANCHISEE

DATE: _____

EXHIBIT D-2

MULTI-UNIT DEVELOPMENT AGREEMENT FOR

STRAW HAT PIZZA RESTAURANT

MULTI-UNIT DEVELOPMENT AGREEMENT

FOR

STRAW HAT PIZZA

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STRAW HAT PIZZA
MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement (this "Agreement") is made and entered into this _____ day of _____, 20____ (the "Effective Date") by and between Straw Hat Restaurants, Inc., a California corporation (the "Company") and _____
_____, (the
"Multi-Unit Developer");

WITNESSETH:

WHEREAS, Company is the owner and operator of certain proprietary and other property rights and interests in and to the "Straw Hat Pizza" name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs (the "Proprietary Marks") used in connection with the development, operation and maintenance of a family friendly, casual dining restaurant (each a "Restaurant" and collectively, "Restaurant") offering pizza and such other menu items as the Company may authorize from time to time (the "Franchised Business");

WHEREAS, the Company has originated, developed and perfected a unique and successful system for the establishment, operation and merchandising of Restaurants, which system includes, but is not limited to, site selection, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, equipment selection and installation, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training and a confidential manual (the "Manual") of operating procedures containing specially conceived and designed methods for restaurant operations (the "System"); and

WHEREAS, Company desires to expand and develop the Franchised Business and seeks sophisticated and efficient multi-unit Developers who will develop numerous Restaurants for the Franchised Business within designated areas; and

WHEREAS, Multi-Unit Developer desires to build and operate Restaurants, and Company desires to grant to Multi-Unit Developer the right to build and operate Restaurants in accordance with the terms and upon the conditions contained in this Agreement;

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

1. GRANT OF MULTI-UNIT DEVELOPMENT RIGHTS

(a) Grant of Multi-Unit Development Rights

Company hereby grants to Multi-Unit Developer, and Multi-Unit Developer hereby accepts, the non-exclusive right to enter into our standard form of franchise agreement then being offered to prospective Developers under the System (a "Franchise Agreement"), during the

Term (as defined below), to develop, construct, equip, open and operate Restaurants in the Development Area (as defined below), upon the terms and subject to the conditions of this Agreement.

This Agreement is not a Franchise Agreement and Multi-Unit Developer does not have the right to use the Proprietary Marks or System in any manner by virtue hereof. Each Restaurant will be governed by a Franchise Agreement entered into by the Company and Multi-Unit Developer for each Restaurant in accordance with the terms and conditions of this Agreement.

2. MULTI-UNIT DEVELOPER'S DEVELOPMENT OBLIGATION

(a) Development Obligation

Multi-Unit Developer hereby agrees to construct, equip, open and thereafter continue to operate within the Development Area not less than the cumulative number of Restaurants set forth on Exhibit "A" which is attached hereto and by this reference made a part hereof, within each of the time periods (the "Development Periods") specified therein (the "Development Obligation").

(b) Force Majeure

Should Multi-Unit Developer be unable to meet the Development Obligation solely as the result of Force Majeure (herein so called), including, but not limited to, strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, but not limited to, any legal disability of the Company to deliver a Franchise Disclosure Document pursuant to Section 6(a) of this Agreement), which result in the inability of Multi-Unit Developer to construct or operate Restaurant(s) in the Development Area, and which Multi-Unit Developer could not by the exercise of due diligence have avoided, the Development Periods shall be extended by the amount of time during which such Force Majeure shall exist.

3. DEVELOPMENT AREA

(a) Description of Development Area

If Multi-Unit Developer complies with the terms of this Agreement, including, without limitation, the Development Obligation, and if Multi-Unit Developer complies with the Franchise Agreement entered into for each Restaurant, then, during the Term, Company shall not operate, or license any other person to operate, a Restaurant within the area set forth and described on Exhibit "B" which is attached hereto and by this reference made a part hereof (the "Development Area"). Notwithstanding the foregoing, the Company hereby reserves the right to:

(i) Establish or license others to establish restaurants or provide similar or competitive products or services under marks other than the Proprietary Marks within or outside of the Development Area and regardless of proximity to any Restaurant within the Development Area;

(ii) Establish or license others to establish restaurants or cafés under the Proprietary Marks in non-traditional retail locations such as inside grocery stores, gourmet food stores, book stores, department stores, airports; temporary locations such as trade shows or festivals, kiosk, food court or concession and locations and other establishments within or outside of the Development Area;

(iii) Sell packaged products under the Proprietary Marks through distribution channels or retail locations within or outside of the Development Area;

(iv) Offer or sell any products or services under the Proprietary Marks or any other marks, through any other channel of distribution within or outside of the Development Area;

(v) Advertise and market the System anywhere at any time; and

(vi) Establish, either directly or through an affiliate of the Company or by licensing others, Restaurants at any site the Company deems appropriate outside of the Development Area, regardless of the proximity to the boundaries of the Development Area. The Company makes no representation or warranty that Multi-Unit Developer will have any right to participate in such licenses.

4. TERM OF MULTI-UNIT DEVELOPMENT AGREEMENT

(a) Term

The term of this Agreement (the "Term") shall commence on the Effective Date and, unless sooner terminated in accordance with the provisions herein, or extended as provided in Section 2(b), shall expire when the last Restaurant to be developed pursuant to the Development Obligation is open for business.

(b) Renewal

Multi-Unit Developer shall have no right to renew this Agreement.

(c) Limited Additional Development Right

If within the first year after the last Restaurant to be developed under this Agreement is open for business the Company determines, in its sole and absolute discretion, that further development of the Development Area is desirable, the Company shall notify Multi-Unit Developer in writing of the Company's determination to develop additional Restaurants in the Development Area and a plan for such development (the "Company Notice"). Upon delivery of the Company Notice by the Company to the Multi-Unit Developer, but subject, nevertheless, to the conditions set forth in Section 4(e) of this Agreement, Multi-Unit Developer shall have a prior right to undertake the additional development which Company shall have set forth in the Company Notice to Multi-Unit Developer. This right of additional development by Multi-Unit Developer shall be exercised only in accordance with Section 4(d) and is subject to the conditions set forth in Section 4(e). If the Company Notice is given to Multi-Unit Developer and if such right of additional development is not exercised by Multi-Unit Developer in accordance with this Agreement, Multi-Unit Developer shall be deemed to have waived such right of

additional development, such right of additional development shall automatically terminate and be of no further force or effect, and the Company or any Developer of the Company may thereupon construct, equip, open and operate additional Restaurants in the Development Area without any liability to Multi-Unit Developer of any kind whatsoever with respect to additional development in the Development Area.

(d) Exercise of Right of Additional Development

If the Company delivers the Company Notice to Multi-Unit Developer, Company shall also deliver to Multi-Unit Developer (and all other required persons or entities) a copy of Company's then-current Franchise Disclosure Document or its equivalent as may be required by applicable law, together with execution counterparts of the Company's then-current Multi-Unit Development Agreement and execution counterparts of such other ancillary agreements as may be required by the Company. "Then-current," as used in this Agreement and applied to the Franchise Disclosure Document and any Multi-Unit Development Agreement, shall mean the form then-currently provided to prospective Developers or Multi-Unit Developers, or if not then being so provided, then such form selected by the Company, in its sole and absolute discretion, which previously has been delivered to and executed by a Developer or Multi-Unit Developer of the Company. The new Multi-Unit Development Agreement, which may vary substantially from this Agreement, will reflect Multi-Unit Developer's new development obligation consistent with Company's plan for additional development set forth in the Company Notice to Multi-Unit Developer. Multi-Unit Developer shall be deemed to have exercised Multi-Unit Developer's right of additional development (described in Section 4(c)) if, within thirty (30) days after Multi-Unit Developer's receipt of the Franchise Disclosure Document and execution counterparts of the new Multi-Unit Development Agreement and all other ancillary agreements, but no sooner than immediately after any applicable waiting periods prescribed by law ("Disclosure Period") have passed, Multi-Unit Developer executes and delivers, and/or causes to be executed and delivered to the Company, counterparts of the new Multi-Unit Development Agreement and other ancillary agreements described in the Franchise Disclosure Document. If Multi-Unit Developer so executes and returns the new Multi-Unit Development Agreement and other ancillary agreements to the Company within said thirty (30) day period and satisfies all of the conditions set forth in Section 4.5, Company will execute the agreements and return one fully executed copy of same to Multi-Unit Developer.

(e) Conditions to Exercise of Right of Additional Development

If the Company elects to give the Company Notice to Multi-Unit Developer as aforesaid, Multi-Unit Developer's right to additional development within the Development Area described in Section 4.3 shall be further subject to Multi-Unit Developer's fulfillment of the following conditions precedent:

(i) Multi-Unit Developer shall have fully performed all of its obligations under this Agreement and all other agreements between Company and Multi-Unit Developer, including, without limitation, all Franchise Agreements entered into by the Company and Multi-Unit Developer pursuant to this Agreement.

(ii) Multi-Unit Developer shall have demonstrated to the satisfaction of the Company, in its sole and absolute discretion, Multi-Unit Developer's financial capacity to

perform the additional development obligations set forth in the new Multi-Unit Development Agreement. In determining if Multi-Unit Developer is financially capable, Company will apply the same criteria to Multi-Unit Developer as it applies to prospective Multi-Unit Developers at that time.

(iii) Upon expiration of the Term, Multi-Unit Developer shall continue to operate, in the Development Area, not less than the aggregate number of Restaurants required by the Development Obligation set forth in Exhibit "A".

5. PAYMENTS BY MULTI-UNIT DEVELOPER

(a) Development Area Fee

The aggregate initial franchise fees to be remitted by Multi-Unit Developer to Company is set forth on Exhibit "C" attached hereto and by this reference made a part hereof. Multi-Unit Developer shall pay to Company in cash or by certified check concurrently with the execution of this Agreement the sum of one hundred percent (100%) of the initial franchise fees for the first Restaurant plus fifty percent (50%) of the aggregate initial franchise fees for all additional Restaurants to be developed in a lump sum upon execution of this Agreement (the "Development Area Fee"). The initial franchise fee for the first Restaurant will be immediately recognized as payment for the fees due under the franchise agreement signed herewith for the first Restaurant. The balance (fifty percent (50%)) of the initial franchise fees attributable to each additional Restaurant must be paid when the Franchise Agreement for each Restaurant is executed. Each portion of the initial franchise fee is deemed fully earned upon receipt and is non-refundable.

6. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

(a) Site Approval, Submission of Franchise Disclosure Document

Execution of Franchise Agreement

(i) At the time of execution of this Agreement, Multi-Unit Developer shall have identified the general area in which to Develop the first Restaurant, and Multi-Unit Developer shall sign the current form of Franchise Agreement.

(ii) For all subsequent Restaurants, after Multi-Unit Developer has located a proposed site for construction of a Restaurant, Multi-Unit Developer shall submit to Company such information regarding the proposed site as Company shall require and in the form which Company shall require, together with the terms of any proposed lease relating to such site. Company may request such additional information as it deems necessary, and Multi-Unit Developer shall respond promptly to such requests for additional information. The Company's approval of a proposed site will be evidenced by the Company entering into the then-current form of Franchise Agreement and the then-current form of agreement required by the Company to supplement or amend the Franchise Agreement in order to describe the approved site (a "Site Location Addendum"), and such approval will be given (if at all) after the Company has (1) reviewed all information required to be submitted by Multi-Unit Developer regarding the proposed site; and (2) in the Company's discretion visited the proposed site.

(iii) With respect to each Restaurant to be developed under this Agreement, Multi-Unit Developer shall, on or before one hundred fifty (150) days prior to expiration of the

applicable Development Period, enter into the then current Franchise Agreement and such other ancillary agreements (including, without limitation, a Site Location Addendum) as may be required by the Company; provided, however, the initial franchise fee to be remitted to the Company for each Restaurant shall remain the same as set forth in Exhibit "C" attached to this Agreement.

(iv) Prior to entering into a Franchise Agreement and a Site Location Addendum, the Company shall transmit to Multi-Unit Developer a Franchise Disclosure Document, together with execution counterparts of the Company's then-current Franchise Agreement and such other ancillary agreements as may be required by the Company pertaining to the proposed site and providing for a protected territory surrounding said Restaurant, determined by Company in good faith, in accordance with Company's then-current policies and standards for exclusive territories. Immediately upon receipt of the Franchise Disclosure Document, Multi-Unit Developer (and all other required persons or entities) shall return to Company a signed copy of the Receipt of the Franchise Disclosure Document. After the passage of any applicable Disclosure Period, Multi-Unit Developer shall execute and deliver, and/or cause to be executed and delivered, to Company counterparts of said Franchise Agreement and all other ancillary agreements required by the Company (including, without limitation, the Site Location Addendum), together with the initial franchise fee required pursuant to this Agreement, less the credit, if any, applicable pursuant to Section 5.1. Company shall, promptly upon receipt of said documents and initial franchise fee, execute and return to Multi-Unit Developer one fully executed copy of the Franchise Agreement and other ancillary agreements. Notwithstanding the foregoing, if Company is not legally able to deliver a Franchise Disclosure Document to Multi-Unit Developer by reason of any lapse or expiration of its franchise registration, or because Company is in the process of amending any such registration, or for any reason beyond Company's reasonable control, Company may delay approval of the proposed site for Multi-Unit Developer's proposed Restaurant until such time as Company is legally able to deliver a Franchise Disclosure Document.

(b) Condition Precedent to Company's Obligations

It shall be a condition precedent to Company's obligations pursuant to Section 6(a), that Multi-Unit Developer shall have performed all of Multi-Unit Developer's obligations under and pursuant to this Agreement and all other agreements between Multi-Unit Developer and Company.

7. ASSIGNABILITY AND SUBFRANCHISING

(a) Assignability by Company

Company shall have the right to assign this Agreement, or any of its rights and privileges hereunder, to any other person or entity without Multi-Unit Developer's prior consent.

(b) No Subfranchising by Multi-Unit Developer

Multi-Unit Developer shall not offer, sell, or negotiate the sale of Straw Hat Pizza franchises to any third party, either in Multi-Unit Developer's own name or in the name and on behalf of Company, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement shall be construed as granting Multi-Unit Developer the right to do so.

(c) Assignment by Multi-Unit Developer

(i) The rights and duties created by this Agreement are personal to Multi-Unit Developer. Accordingly, except as otherwise permitted herein, neither Multi-Unit Developer nor the owner of any stock, membership interest, partnership interest or other equity interest ("Equity Interest") in Multi-Unit Developer shall, without the prior written consent of the Company, directly or indirectly, sell, assign, transfer (including, without limitation, any transfer occurring by inter vivos transfer or, upon death, by testamentary disposition or pursuant to the laws of intestate succession), convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement or any Equity Interest in Multi-Unit Developer. Any such purported transfer or assignment occurring by operation of law or otherwise without the prior written consent of the Company shall constitute a breach of this Agreement by Multi-Unit Developer and shall be null and void. Any such transfer or assignment shall be subject, in any event, to the right of first refusal in favor of the Company set forth in Section 7(d) of this Agreement.

(ii) Should Company not elect to exercise its said right of first refusal, Company's consent to such transfer or assignment, but not to the partition, sharing or dividing of rights under this Agreement, shall not be unreasonably withheld; provided, however, the Company may impose any reasonable condition(s) to the granting of its consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to its consent to any such transfer or assignment shall be deemed to be reasonable:

(1) that the assignee (or, in the case of an entity assignee, the shareholders, members, partners or other equity interest holders of the assignee) demonstrate that they have the skills, qualifications and economic resources necessary, in Company's judgment, reasonably exercised, to develop, construct, equip, open and operate the Restaurants contemplated by this Agreement, and by all other agreements between the Company and such assignee, and all agreements (including, without limitation, Franchise Agreements entered into pursuant to this Agreement) proposed to be assigned to such assignee;

(2) that the assignee enter into a written assignment, in form and substance satisfactory to the Company, pursuant to which such assignee assumes and agrees to discharge all rights and obligations of Multi-Unit Developer under this Agreement and all Franchise Agreements entered into pursuant to this Agreement;

(3) that Multi-Unit Developer pay to Company any and all transfer fees that may be required by each Franchise Agreement executed pursuant hereto;

(4) that Multi-Unit Developer, and each owner of an Equity Interest in Multi-Unit Developer, execute a general release, the consideration for which shall be the consent to the assignment, in form and substance satisfactory to the Company, of any and all claims against the Company and all of Company's subsidiaries and affiliates (collectively, "Company's Affiliates"), and their respective shareholders, members, partners and other equity interest holders, officers, directors, managers, agents, representatives, successors and assigns, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, to the extent permitted by law;

(5) that as of the date of any such assignment, the assignor shall have fully complied with all of its obligations to Company, whether under this Agreement or any other agreement (including, without limitation, Franchise Agreements entered into pursuant to this Agreement or otherwise), arrangement or understanding with Company;

(6) that assignee is not then in default of any of such assignee's obligations to Company, whether pursuant to a Franchise Agreement or other agreement with Company;

(7) that the assignee shall pay to Company a transfer fee equal to \$2,500.00 which is reasonably required to cover Company's expenses relating to said assignment (such fee being in addition to any transfer fee required to be paid under any Franchise Agreement entered into pursuant to this Agreement or otherwise); and

(8) that the assignee, or all of the shareholders, members, partners or other equity interest holders of the assignee, as the case may be, shall jointly and severally fully, unconditionally and irrevocably guarantee the performance by Multi-Unit Developer of all its obligations hereunder.

(iii) Any assignment, transfer or other disposition of a Restaurant within the Development Area shall be governed by the Franchise Agreement for such Restaurant.

(iv) If Multi-Unit Developer is a legal entity, each of the following shall be deemed to be an assignment by Multi-Unit Developer of this Agreement (or of an interest in this Agreement) within the meaning of this Section: (1) the transfer or assignment by any owner of an Equity Interest in the Multi-Unit Developer; (2) the issuance of any securities by Multi-Unit Developer which itself or in combination with any other transaction(s) results in the owners of an Equity Interest in Multi-Unit Developer existing as of the Effective Date, owning less than one hundred percent (100%) of the Equity Interest in the Multi-Unit Developer; and (3) any merger, stock redemption, consolidation, reorganization or recapitalization involving Multi-Unit Developer.

(v) Without limiting the generality of the foregoing, Multi-Unit Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written consent of Company, which consent may be withheld by the Company in its sole and absolute discretion.

(d) Right of First Refusal

Any assignment of this Agreement, or any interest herein, shall be subject to the Company's right of first refusal with respect thereto. Company's said right of first refusal shall be exercised in the following manner:

(i) Multi-Unit Developer shall deliver to Company a written notice clearly and unambiguously setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee, including, but not limited to, information concerning the employment history, financial condition, credit history, skill and

qualifications of the proposed assignee and, in the case of an entity, of its shareholders, members, partners and equity interest holders, as applicable.

(ii) Within thirty (30) days after Company's receipt of such notice (or if Company shall request additional information, within thirty (30) days after receipt of such additional information), Company may either consent or withhold its consent to such assignment, in accordance with Section 7(c), or, at its option, accept the assignment to itself or to its nominee upon the terms and conditions specified in the notice. Company may substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

(iii) If Company shall elect not to exercise its said right of first refusal and shall consent to such assignment, Multi-Unit Developer shall, subject to the provisions of Section 7(c), be free to assign this Agreement to such proposed assignee on the terms and conditions specified in said notice. If, however, Company does not elect to exercise its right of first refusal and said terms shall be materially changed, or if more than 90 days shall elapse after the date of Company's receipt of written notice of such assignment without such assignment occurring, such changed terms or lapse of time shall be deemed a new proposal, and Company shall again have such right of first refusal with respect thereto.

(e) Individual Franchise Agreements

Multi-Unit Developer shall not execute any Franchise Agreement, or construct or equip any Restaurant, with a view to transferring or assigning such Franchise Agreement or Restaurant.

8. NON-COMPETITION

(a) In Term

During the Term of this Agreement, neither Multi-Unit Developer, or if Multi-Unit Developer is a legal entity, no owner of an Equity Interest in Multi-Unit Developer or any officer, director or manager of Multi-Unit Developer shall either directly or indirectly, own, operate, advise, be employed by, or have any interest in any restaurant, diner, café or similar establishment that features such other menu items featured by Straw Hat Pizza Restaurants whether within or outside of the Development Area, unless Company, in its sole and absolute discretion, shall consent thereto in writing.

(b) Modification

The parties have attempted in Section 8(a) above to limit the Multi-Unit Developer's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 8(a) is disputed at any time by Multi-Unit Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent it deems necessary to make such provision(s) enforceable under applicable law. In addition, the Company reserves the right to reduce the scope of either, or both, of said provisions without Multi-Unit Developer's consent, at any time or times, effective immediately upon notice to Multi-Unit Developer.

9. TERMINATION

(a) Termination Pursuant to A Material Breach of This Agreement

This Agreement may be terminated by Company for cause without notice or opportunity to cure, except for such notice as may be required by law, in the event of any material breach by Multi-Unit Developer of this Agreement. Material breach, as used herein, shall specifically include, among other things, the following:

(i) Failure of Multi-Unit Developer to comply with the Development Obligation within the Development Periods;

(ii) Failure of Multi-Unit Developer to perform any other of Multi-Unit Developer's obligations under this Agreement, including, without limitation, the obligation to enter into a Franchise Agreement with respect to any Restaurant within the time required under this Agreement, and the obligation of Multi-Unit Developer to obtain the prior written consent of the Company with respect to any transfer or assignment of this Agreement, in whole or in part, or any or all rights and obligations hereunder.

(iii) The filing by or against Multi-Unit Developer of any petition in bankruptcy, arrangement for the benefit of creditors, or petition for reorganization which is not dismissed within ninety (90) days;

(iv) The appointment of a receiver or trustee for Multi-Unit Developer which receiver or trustee is not dismissed within ninety (90) days from the date of appointment;

(v) The conviction of, or pleading of nolo contendere by, any owner of an Equity Interest in Multi-Unit Developer to a felony or crime involving moral turpitude; or

(vi) Discovery by Franchisor that Multi-Unit Developer materially misrepresented or omitted facts in its application for the rights in this Agreement.

(b) Termination by Reason of a Material Breach of Other Agreement

This Agreement may be terminated, at the election of Company, in the event of any material breach by Multi-Unit Developer of an individual Franchise Agreement or any other agreement between Company and Multi-Unit Developer, upon the notice, if any, specified in the Franchise Agreement or other agreement.

(c) Effect of Expiration or Termination

Upon the expiration of the Term, or upon the prior termination of this Agreement, Multi-Unit Developer shall have no further right to construct, equip, open or operate additional Restaurants which are not, at the time of such expiration or termination, the subject of a then-existing Franchise Agreement between Multi-Unit Developer and Company which is in full force and effect, and Company may itself construct, equip, open, or operate, or license others to construct, equip, open, or operate Restaurants in the Development Area, subject to the provisions of Sections 4(c) and 4(d) of this Agreement, and as provided in any Franchise Agreement

executed pursuant to this Agreement. Further, Multi-Unit Developer shall cease to use all confidential information as it pertains to this Agreement.

(d) Post-Termination Non-Competition

Except where prohibited by law, for a period of two (2) years after the termination of this Agreement, for any reason, Multi-Unit Developer shall not acquire or maintain any interest in any competitive business offering any similar products or services to Straw Hat Pizza ("Competitive Business").

10. ENTITY MULTI-UNIT DEVELOPER

(a) Entity Multi-Unit Developer

(i) If Multi-Unit Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each owner of an Equity Interest in Multi-Unit Developer:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(ii) If Multi-Unit Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each director, manager, or general partner, as applicable, of Multi-Unit Developer:

NAME	ADDRESS

(iii) The address where Multi-Unit Developer's financial records, and corporate, company, partnership or other entity records, as applicable, are maintained is:

(iv) If Multi-Unit Developer is a corporation, limited liability company, partnership or other legal entity, there is set forth below the name, address and title of the owner

of an Equity Interest in Multi-Unit Developer who owns not less than fifty percent (50%) of the Equity Interest in Multi-Unit Developer and who will serve as the so-called "Operating Partner" and devote a majority of his or her time and efforts to the management and operation of each Restaurant constructed, equipped, opened and operated by Multi-Unit Developer under each Franchise Agreement entered into pursuant to this Agreement:

NAME	ADDRESS

(v) Multi-Unit Developer shall notify Company in writing within ten (10) days of any change in the information set forth in subparagraphs (i) through (iv) above.

(vi) Multi-Unit Developer shall promptly provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Multi-Unit Developer.

(vii) If Multi-Unit Developer is a corporation, limited liability company, partnership or other legal entity, each of the owners of an Equity Interest in Multi-Unit Developer shall, by executing this Agreement, fully, unconditionally and irrevocably guarantee the performance by Multi-Unit Developer of all of its obligations hereunder. In addition, Developer shall upon Company's request cause all of its current and future owners of an Equity Interest in Multi-Unit Developer to execute and deliver a guaranty in substantially the form of Exhibit "D" which is attached hereto and by this reference made a part hereof.

11. VENUE AND REMEDIES

(a) Venue

To the extent permitted by applicable law, Multi-Unit Developer agrees that any action brought by Multi-Unit Developer against Company shall be brought in the state courts or in the U.S. District Court of the jurisdiction in which Company has its principal place of business at the time such proceeding is commenced, and Multi-Unit Developer waives its right to bring any action against Company in any other jurisdiction or venue. Additionally, to the extent permitted by applicable law, Multi-Unit Developer hereby submits to the jurisdiction of such courts, and Multi-Unit Developer waives any right it may have to object to such jurisdiction and venue.

(b) Remedy

No right or remedy conferred upon or reserved by Company by this Agreement is intended and shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, at law or in equity, but each right or remedy shall be cumulative of every other right or remedy.

(c) Injunctive Relief

Nothing herein contained shall bar Company's right to obtain injunctive relief against threatened conduct that will cause it loss or damage under the usual equity rules, including, without limitation, the applicable rules for obtaining restraining orders and preliminary injunctions. Company shall not be required to post a bond in excess of \$1,000.00 or other security with respect to obtaining any such equitable relief.

12. GENERAL CONDITIONS AND PROVISIONS

(a) Relationship of Multi-Unit Developer to Company

It is expressly agreed that Multi-Unit Developer has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Multi-Unit Developer is the employer, employee, agent, partner or co-venturer of, or with the other, each being independent. Multi-Unit Developer agrees that Area Franchise will not hold himself or itself out as the agent, employee, partner or co-venturer of Company. All employees hired by or working for Multi-Unit Developer shall be the employees of Multi-Unit Developer and shall not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

(b) Indemnity by Multi-Unit Developer

Multi-Unit Developer hereby agrees to protect, defend and indemnify Company, and all of its past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Multi-Unit Developer's operation of a Restaurant pursuant hereto. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

(c) No Consequential Damages For Legal Incapacity

Company shall not be liable to Multi-Unit Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Multi-Unit Developer by reason of any delay in the delivery of Company's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misconduct of Company.

(d) Waiver and Delay

No waiver by Company of any breach or series of breaches or defaults in performance by Multi-Unit Developer, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any franchise agreement between Company and Multi-

Unit Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants) or to insist upon strict compliance with or performance of Multi-Unit Developer's obligations under this Agreement or any franchise agreement between Company and Multi-Unit Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

(e) Survival of Covenants

The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

(f) Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of Company and shall be binding upon and inure to the benefit of Multi-Unit Developer and his, its or their respective heirs, executors, administrators, successors and permitted assigns, subject to the prohibitions against assignment contained herein.

(g) Joint and Several Liability

If Multi-Unit Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Company are joint and several.

(h) Governing Law

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act), 15 U.S.C., Section 1051, et seq.), this Agreement shall be construed in accordance with the laws of the State of California.

(i) Entire Agreement

This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. All prior agreements, understandings and representations, are merged herein and superseded hereby. Multi-Unit Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or any Franchise Disclosure Document for prospective Developers required by applicable law, and Multi-Unit Developer agrees that Area Franchise has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto. Where this Agreement and any Franchise Agreement entered into pursuant to this Agreement conflict with respect to the amount or

payment terms of initial franchise fees, or the date by which a Restaurant is to be opened, the terms of this Agreement shall govern. Nothing in the agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

(j) Titles for Convenience

Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

(k) Gender

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

(l) Severability

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

(m) Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

(n) Attorney Fees

Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

(o) Notices

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered three (3) days after placed in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the

party to be notified at such party's most current principal address which the notifying party has on record.

13. SUBMISSION OF AGREEMENT

(a) General

The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Multi-Unit Developer. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE PRESIDENT OF COMPANY. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS MULTI-UNIT DEVELOPER SHALL HAVE BEEN FURNISHED BY COMPANY WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

14. ACKNOWLEDGMENT

(a) General

Multi-Unit Developer, and the owners of any Equity Interests in Multi-Unit Developer as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

(Continued on following page)

IN WITNESS WHEREOF, the parties have hereto set their hands, affixed their seals and delivered these presents as of the day and year first above written.

THE COMPANY:

Straw Hat Restaurants, Inc.

By: _____
(SEAL)

Name: _____

Title: _____

MULTI-UNIT DEVELOPER:

(SEAL)

By: _____

Name: _____

Title: _____

(CORPORATE SEAL, if applicable)

EQUITY INTEREST OWNERS:

(SEAL)

(SEAL)

EXHIBIT A
DEVELOPMENT OBLIGATION

Development Period Ending	Cumulative Number of Restaurants to be in Operation
1 _____, 20____	_____
2 _____, 20____	_____
3 _____, 20____	_____
4 _____, 20____	_____
5 _____, 20____	_____

EXHIBIT B

DEVELOPMENT AREA

EXHIBIT C

AGGREGATE INITIAL FRANCHISE FEE

EXHIBIT D

GUARANTY OF MULTI-UNIT DEVELOPER'S UNDERTAKINGS

In consideration of, and as an inducement to, the execution of that certain Multi-Unit Development Agreement dated _____, and any and all revisions, modifications and amendments thereto or renewals thereof, (hereinafter collectively the "Agreement"), by and between Straw Hat Restaurants, Inc., a California corporation, for itself and for its affiliates (hereinafter, collectively, "Straw Hat") and _____ (hereinafter "Multi-Unit Developer"), each of the undersigned "Guarantors" (herein so called) agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guarantee the full, prompt and complete performance of Multi-Unit Developer under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Straw Hat under the Agreement. The word "indebtedness" is used herein in its most comprehensive sense and includes without limitation any and all advances, debts, obligations and liabilities of Multi-Unit Developer, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Multi-Unit Developer and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Multi-Unit Developer or whether Multi-Unit Developer is joined in any such action.

3. If the Multi-Unit Developer is a corporation, partnership, limited liability company or other legal entity, Straw Hat shall not be obligated to inquire into the power or authority of Multi-Unit Developer or its officers, directors, agents, managers, representatives, employees or other persons acting or purporting to act on Multi-Unit Developer's behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations, partnerships, limited liability companies or other legal entities, it shall be conclusively presumed that the Guarantors and all shareholders, partners, members and other owners of such entities, and all officers, directors, agents, managers, representatives, employees or other persons acting on their behalf have the express authority to bind such entities and that such entities have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such entities.

4. Straw Hat, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors and assigns have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or

compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned each further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including, without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Multi-Unit Developer and Straw Hat resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, heirs, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term "the undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. Without limiting the generality of any part or all of the foregoing, the undersigned do each hereby further covenant and agree that each of the undersigned are hereby bound by those certain terms, obligations, covenants and conditions of the Agreement with respect to the following:

- (i) Section 7(c) entitled "Assignment by Multi-Unit Developer";
- (ii) Section 7(d) entitled "Right of First Refusal";
- (iii) Section 8 entitled "Non-Competition";
- (iv) Section 10(a) entitled "Entity Multi-Unit Developer";
- (v) Section 11(a) entitled "Venue";
- (vi) Section 11(c) entitled "Injunctive Relief";
- (vii) Section 12(g) entitled "Joint and Several Liability";
- (viii) Section 12(o) entitled "Notices"; and
- (ix) Section 14(a) entitled "General."

The undersigned each agree that the references to the "Multi-Unit Developer" in the Sections referenced hereinabove shall include and be applicable to each of the undersigned.

9. All capitalized terms not defined herein shall have the meanings given to them in the Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty of Multi-Unit Developer's Undertakings under seal effective as of the _____ day of _____, _____.

Name

Home Address

Home Telephone

Business Telephone

Date

EXHIBIT E
GUARANTY OF FRANCHISE AGREEMENT

PERSONAL GUARANTY

WHEREAS, Straw Hat Restaurants, Inc. ("Franchisor"), has, of even date herewith, entered into a Franchise Agreement ("Agreement") with ("Franchisee"); and

WHEREAS, the undersigned are all the partners, shareholders, members, participants, and/or other holders of more than a fifteen percent (15%) equity interest in Franchisee (each individually referred to here as "Guarantor"); and

WHEREAS, Franchisor has placed great reliance upon the ability and financial capacity of the undersigned in the granting and entering into of the Agreement with Franchisee.

NOW, THEREFORE, in consideration of Franchisor granting and entering into the Agreement with Franchisee, each Guarantor hereby agrees as follows:

1. Guarantor personally guarantees, jointly and severally, the full payment of all monies due and owing and the performance of Franchisee's other obligations to Franchisor according to the Agreement.

2. Guarantor acknowledges and agrees that his/her liability to Franchisor under this Personal Guaranty is joint and several with all other persons who execute a personal guaranty according to the Franchise Agreement.

3. Each Guarantor hereby jointly and severally undertakes to be bound by all of the terms of the Agreement as if named as Franchisee there.

4. Guarantor hereby waives notice of or the giving of its consent to any extensions, amendments, and modifications which may hereafter be made to the terms of the Agreement and this Guaranty guarantees the performance of the Agreement as extended, amended or modified.

5. Guarantor waives any defense by reason of any disability of the Guarantor, any statute of limitations and any other defense based on any termination of Franchisee's liability under the Agreement for any cause.

6. Guarantor waives all presentments, demands for performance, notices of non-performance, protests, notice of protests, notices of dishonor, notices of acceptance of this Guaranty, notice of all contracts and commitments, notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof, and notice of all defaults, disputes, or controversies between Franchisee and Franchisor resulting from such Agreement or otherwise, and the settlement compromise or adjustment thereof.

7. A separate action may be brought against Guarantor whether or not an action is brought against any other party. If Franchisee defaults under the Agreement, Franchisor may proceed immediately against Guarantor.

8. If Franchisor assigns its interest in and to the Agreement, "Franchisor" as used in this Guaranty, shall mean Franchisor's successors-in-interest and assigns.

9. Each Guarantor agrees to pay all expenses paid or incurred by Franchisor in enforcing the Agreement and this Guaranty against Franchisee and against the undersigned, including, without limitation, Franchisor's reasonable attorneys' fees, legal costs and other expenses incurred in any collection or attempted collection or in any negotiations relative to the obligations hereby guaranteed.

10. Guarantor's obligations under this Guaranty shall be binding upon Guarantor's heirs, estate, personal representative, trustee, agent and successors or assigns. This Guaranty may not be modified or amended in any way without the express written consent of Franchisor. If any provision of this Guaranty shall be invalid or unenforceable, the remainder of this Guaranty shall not be affected thereby and shall otherwise remain valid and enforceable. This Guaranty shall be governed by the laws of the State of California.

11. If more than one person signs this Guaranty, each such person shall be deemed a guarantor and the obligation of all such guarantors shall be joint and several. When the context and construction so requires, all words used in the singular here shall be deemed to have been used in the plural. The word "person" as used here shall include an individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever

12. This Guaranty will continue in effect as to each Guarantor until Franchisee fully performs all its obligations under the Agreement

THE UNDERSIGNED HAS READ AND UNDERSTANDS THE TERMS OF THIS GUARANTY, INCLUDING, WITHOUT LIMITATION, THE WAIVERS CONTAINED IN THIS GUARANTY.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Guarantor hereto have executed this Guaranty as of the _____ day of _____.

GUARANTOR:

Name: _____

Name: _____

Name: _____

EXHIBIT F
TABLES OF CONTENTS OF OPERATIONS MANUAL

Operations Manual**Total Number of Pages: 255**

CHAPTER	TOPIC
1	Rules of Operation
2	Managing Profit
3	Controlling Your Business
4	Sanitation
5	QSC
6	Inventory Management
7	Delivery
8	Safety and Security
9	Restaurant Equipment

EXHIBIT G
FINANCIAL STATEMENTS



Straw Hat Restaurants, Inc.

Financial Statements

December 31, 2022 and 2021

Straw Hat Restaurants, Inc.

Table of Contents

December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
Straw Hat Restaurants, Inc.

Opinion

We have audited the financial statements of Straw Hat Restaurants, Inc. (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in stockholders' 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 the Company as of December 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

San Francisco, California

April 19, 2023

Straw Hat Restaurants, Inc.

Balance Sheets

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 299,858	\$ 137,965
Accounts receivable	125,236	122,470
Employee Retention Credit receivable	21,000	21,000
Prepaid income taxes	-	39,583
Notes receivable, current portion	1,950	2,775
	<hr/>	<hr/>
Total current assets	448,044	323,793
Other Assets		
Security deposit	6,124	2,600
Notes receivable, net of current portion	1,905	1,300
Deferred federal income taxes	6,200	-
	<hr/>	<hr/>
	14,229	3,900
	<hr/>	<hr/>
Total assets	<hr/> \$ 462,273	<hr/> \$ 327,693
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 18,841	\$ 25,112
Gift card liability	14,498	13,759
Deferred franchise fees, current portion	13,933	10,933
Income taxes payable	20,383	-
Accrued payroll and other accrued liabilities	14,398	15,445
	<hr/>	<hr/>
Total current liabilities	82,053	65,249
Long-term Liabilities		
Deferred franchise fees, net of current portion	<hr/> 84,353	<hr/> 71,284
	<hr/>	<hr/>
Total liabilities	<hr/> 166,406	<hr/> 136,533
Stockholders' Equity		
Common stock; no par value; 2,250,000 shares authorized; 1,336,312 and 1,332,915 shares issued and outstanding at December 31, 2022 and 2021, respectively		
Accumulated deficit	657,962	656,637
	(362,095)	(465,477)
	<hr/>	<hr/>
Total stockholders' equity	295,867	191,160
	<hr/>	<hr/>
Total liabilities and stockholders' equity	<hr/> \$ 462,273	<hr/> \$ 327,693

Straw Hat Restaurants, Inc.

Statements of Income

Years Ended December 31, 2022 and 2021

	2022	2021
Revenues		
Administrative and marketing assessments	\$ 454,963	\$ 394,496
Vendor purchase agreement income	180,689	155,493
Initial franchise fees and franchise transfer fees	13,933	16,709
Marketing and other revenues	8,093	5,718
	<hr/>	<hr/>
Total revenues	657,678	572,416
Operating Expenses		
Salaries and fringe benefits	269,444	248,076
General and administrative expenses	200,026	189,120
Marketing expenses	70,445	53,934
	<hr/>	<hr/>
Total expenses	539,915	491,130
Operating income	117,763	81,286
	<hr/>	<hr/>
Other Income (Expense)		
Interest income	16	-
Interest expense	(383)	(861)
PPP loan forgiveness income	-	55,351
Grant income, Employee Retention Credit	-	21,000
Grant income, California COVID-19 Relief	-	15,000
	<hr/>	<hr/>
Total other income (expense)	(367)	90,490
Income before provision for income taxes	117,396	171,776
	<hr/>	<hr/>
Income Tax (Expense) Benefit		
	<hr/>	<hr/>
Net income	\$ 103,382	\$ 199,076
	<hr/>	<hr/>

Straw Hat Restaurants, Inc.

Statements of Changes in Stockholder's Equity

Years Ended December 31, 2022 and 2021

	Common Stock		Accumulated Deficit	Total
	Shares	Amount		
Balance, January 1, 2021	1,286,763	\$ 638,638	\$ (664,553)	\$ (25,915)
Share-based compensation	46,152	17,999	-	17,999
Net income	-	-	199,076	199,076
Balance, December 31, 2021	1,332,915	656,637	(465,477)	191,160
Share-based compensation	3,397	1,325	-	1,325
Net income	-	-	103,382	103,382
Balance, December 31, 2022	1,336,312	\$ 657,962	\$ (362,095)	\$ 295,867

Straw Hat Restaurants, Inc.

Statement of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Net income	\$ 103,382	\$ 199,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	1,325	17,999
PPP loan forgiveness income	-	(55,351)
Deferred income taxes	(6,200)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,766)	(41,065)
Employee Retention Credit receivable	-	(21,000)
Prepaid income taxes	39,583	(31,171)
Security deposit	(3,524)	-
Accounts payable	(6,271)	4,507
Gift card liability	739	348
Deferred franchise fees	16,069	2,291
Accrued payroll and other accrued liabilities	(1,047)	(938)
Income taxes payable	20,383	-
Net cash provided by operating activities	<u>161,673</u>	<u>74,696</u>
Cash Flows From Investing Activities		
Payments received on notes receivable	3,825	20,325
Issuance of notes receivable	<u>(3,605)</u>	<u>-</u>
Net cash provided by investing activities	<u>220</u>	<u>20,325</u>
Net increase in cash	161,893	95,021
Cash, Beginning	<u>137,965</u>	<u>42,944</u>
Cash, Ending	<u>\$ 299,858</u>	<u>\$ 137,965</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 383</u>	<u>\$ 861</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 12,800</u>

Straw Hat Restaurants, Inc

Notes to Financial Statements
December 31, 2022 and 2021

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Straw Hat Restaurants, Inc. (the Company) was incorporated as a California Corporation on May 16, 2006. In mid-2008, the Company amended its Articles of Incorporation to allow franchising activities. The Company is a franchisor and conducts business under the name Straw Hat Pizza.

At December 31, 2022 and 2021, the Company had 29 and 28 operating franchise locations, respectively.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash represents unrestricted, noninterest-bearing cash on deposit with a local financial institution and cash on hand. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2022 and 2021.

Accounts Receivable

Accounts receivable consist of incentive revenues from certain vendors. At December 31, 2022 and 2021, there was no allowance for doubtful accounts, as management believes the full amount is collectible.

Furniture and Equipment

Furniture and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. The costs of repairs and maintenance are expensed as incurred. There was no depreciation expense for the years ended December 31, 2022 and 2021 as the furniture and equipment of \$37,659 were fully depreciated.

Revenue Recognition

The Company derives its revenues mainly from administrative and marketing assessments, revenue from incentive programs and initial franchise and franchise transfer fees. Revenue recognition is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Straw Hat Restaurants, Inc

Notes to Financial Statements
December 31, 2022 and 2021

Administrative and marketing assessments represent fixed monthly charges pursuant to the franchising agreements between the Company and individual franchisees. Revenue from incentive programs is earned pursuant to contractual agreements between the Company and certain vendors based on established purchase volumes by the franchisees. Under ASC 606, initial franchise fees are allocated to each individual store and recognized over the term of the respective franchise agreement from the date of the store opening. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Renewal fees are recognized over the renewal term for the respective store from the start of the renewal period.

Marketing and other revenue is recognized upon receipt after marketing orders have been fulfilled and upon delivery of marketing materials.

Gift cards are available for purchase at most franchise locations. The Company does not charge administrative fees on unused gift cards and gift cards do not have an expiration date. Revenue from gift card sales is recognized upon redemption of the gift card.

The Company records revenue from gift card breakage when the likelihood of the gift card being redeemed is remote and the Company does not have a legal obligation to escheat the value of unredeemed gift cards to the relevant jurisdictions. During the years ended December 31, 2022 and 2021, the Company did not record any revenue from gift card breakage.

Opening and closing balance of trade accounts receivable are as follows:

	<u>January 1, 2021</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Trade accounts receivable, net	<u>\$ 81,405</u>	<u>\$ 122,470</u>	<u>\$ 125,236</u>

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2022 and 2021 were \$44,652 and \$25,200, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences resulting from events that have been previously recognized in the Company's financial statements or tax returns. The measurement of these deferred tax assets and liabilities is based on provisions of the enacted tax law, as adjusted for future changes in tax laws or rates, if reasonably expected. However, the effects of unexpected future changes in tax laws or rates are generally not anticipated.

The Company has evaluated its current tax positions and has concluded that at December 31, 2022 and 2021, it does not have any significant uncertain tax positions for which a reserve would be necessary or for which a disclosure should be made in the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk include cash on deposit in financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limit. At various times, the Company may have cash balances in excess of insured amounts. The Company believes it places its cash with quality financial institutions and is not exposed to any significant risks beyond those of a normal commercial banking relationship.

Straw Hat Restaurants, Inc

Notes to Financial Statements
December 31, 2022 and 2021

New Accounting Pronouncement

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

2. Newly Adopted Accounting Pronouncement

Effective January 1, 2022, the Company adopted ASU 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. The Company's existing leases has original lease term of less than 12 months.

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

- The Company elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease, rather, expenses associated with these leases will continue to be recorded on a straight-line basis over the lease term.

The Company applied the pronouncement on a modified retrospective basis effective January 1, 2022. The adoption did not have a material impact on the Company's financial statements and results of activities.

3. Employee Retention Credit

The ERC, which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Act (ARPA), and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Company qualified for the ERC as it experienced a significant decline in gross receipts (for 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019). The Company averaged less than 100 full-time employees during 2019, therefore, it was considered a small employer during 2021. As a small employer, all of the Company's otherwise qualified wages were eligible for the ERC. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

Straw Hat Restaurants, Inc

Notes to Financial Statements
December 31, 2022 and 2021

The Company has elected to account for the credit as a government grant. U.S. GAAP does not include grant accounting guidance for for-profit entities; therefore, the Company has elected to follow the grant accounting model in International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with IAS 20, the Company cannot recognize any income from the grant until there is reasonable assurance (similar to the probable threshold in U.S. GAAP) that any conditions attached to the grant will be met and that the grant will be received. Once it is reasonably assured that the grant conditions will be met and that the grant will be received, grant income is recorded on a systematic basis over the periods in which the Company recognizes the payroll expenses for which the grant is intended to compensate. Income from the grant can be presented as either other income or as a reduction in the expenses for which the grant was intended to compensate.

The Company claimed credits of \$21,000 on timely filed forms 941 which are recorded as grant income in the other income section of its statement of income for the year ended December 31, 2021. As of December 31, 2022 and 2021, the Company had an ERC receivable of \$21,000.

4. Notes Receivable

At December 31, 2022 and 2021, notes receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Note receivable from franchise owner, requires monthly payments of \$100 with first payment due May 20, 2022, bears zero interest, is unsecured and matures in April 2025.	\$ 3,105	\$ 2,000
Note receivable from franchise owner, requires one initial payment of \$1,000 with first payment due July 8, 2020 and subsequent payments of \$25 beginning July 15, 2020 due each week, bears zero interest, is unsecured and matures in August 2023.	750	2,075
Note receivable from franchise owner, requires annual payments of \$1,000 with first payment due September 30, 2019 and subsequent payments due August 9 each year, bears zero interest.	-	2,000
	3,855	4,075
Less current portion	(1,950)	(2,775)
Total	\$ 1,905	\$ 1,300

5. Paycheck Protection Program Loan

On April 29, 2021, the Company was approved for a loan in the amount of \$55,351 under the PPP which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities.

Straw Hat Restaurants, Inc

Notes to Financial Statements
December 31, 2022 and 2021

The Company met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during June 2021. Legal release was received in August 2021, therefore, the Company recorded forgiveness income of \$55,351 within the other income section of its statement of income for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

6. Related-Party Transactions

Stock Transactions

During 2022 and 2021, the Company granted 3,397 and 46,152 shares of stock to certain members of the Board of Directors for their board service, respectively. The shares have a six-month vesting period and are valued at \$1,325 and \$17,999 for the years ended December 31, 2022 and 2021, respectively. The shares were fully vested at December 31, 2022 and 2021 (refer to Note 8).

7. Income Taxes

The Company's income tax expense (benefit) for the years ended December 31, 2022 and 2021 consists of the following:

	2022	2021
Current:		
Federal	\$ 19,414	\$ 12,000
State	9,950	800
Utilization of net operating loss carryforwards	<u>(9,150)</u>	<u>(40,100)</u>
	20,214	(27,300)
Deferred:		
Federal	(100)	-
State	<u>(6,100)</u>	<u>-</u>
	(6,200)	-
Total income tax expense (benefit)	<u>\$ 7,814</u>	<u>\$ (27,300)</u>

The components of deferred income tax assets as of December 31, 2022 and 2021 were as follows:

	2022	2021
Deferred federal income taxes	\$ 100	\$ (1,900)
Deferred state income taxes	6,100	13,000
Valuation allowance	-	(11,100)
Total deferred income taxes	<u>\$ 6,200</u>	<u>\$ -</u>

Straw Hat Restaurants, Inc

Notes to Financial Statements
December 31, 2022 and 2021

Temporary differences between the tax basis of assets and liabilities that give rise to the Company's potential deferred tax assets and liabilities and their approximate tax effects are primarily due to accrual to cash method differences as the tax returns are filed on a cash basis. The effective income tax rate is lower than the expected statutory rate applied to income before income taxes primarily due to the utilization of net operating loss carryforwards, deferred income tax adjustments and allowances.

As of December 31, 2022, the Company had state net operating losses carryforwards of approximately \$69,102 that will expire starting in 2040.

8. Equity Incentive Plans

In 2018, the Company's Board of Directors approved and adopted the 2018 Stock Plan (the 2018 Stock Plan) to grant stock options and restricted stock to officers, employees, directors and consultants of the Company. A total of 350,000 shares have been reserved for issuance under the 2018 Stock Plan. During 2022 and 2021, 3,397 and 46,152 shares of fully vested restricted stock were granted, respectively, to certain members of the Board of Directors under this plan (refer to Note 6). Shares available for grant under the 2018 Stock Plan was 100,459 shares and 103,856 as of December 31, 2022 and 2021, respectively. The Company recognized share-based compensation expense of \$1,325 and \$17,999 during the years ended December 31, 2022 and 2021, respectively.

In previous years, the Company's Board of Directors granted stock options to certain directors and employees under the terms of two equity incentive plans (the Employee Plan and the "Board Member Plan) to purchase shares of the Company's common stock.

At December 31, 2022 and 2021, there were no outstanding options.

9. Subsequent Events

As discussed in Note 1, certain of the Company's banking accounts exceed FDIC insured limits. With the recent developments in the banking sector beginning in March 2023 resulting in further credit risk for any uninsured balances held in a financial institution, the Company is evaluating steps to mitigate its risk as it relates to cash in excess of FDIC limits.

Management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, April 19, 2023.



Straw Hat Restaurants, Inc.

Financial Statements

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Straw Hat Restaurants, Inc.

Opinion

We have audited the financial statements of Straw Hat Restaurants, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income (operations), changes in stockholders' equity (deficit) 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 the Company as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

BAKER TILLY US, LLP

A handwritten signature in cursive script that reads "Baker Tilly US, LLP".

San Francisco, California

April 14, 2022

STRAW HAT RESTAURANTS, INC.
BALANCE SHEETS
December 31, 2021 and 2020

	ASSETS	
	2021	2020
Current Assets		
Cash	\$ 137,965	\$ 42,944
Accounts receivable	122,470	81,405
Employee Retention Credit receivable	21,000	-
Prepaid income taxes	39,583	8,412
Notes receivable - current portion	2,775	20,300
	<hr/>	<hr/>
Total current assets	323,793	153,061
	<hr/>	<hr/>
Furniture and Equipment		
Furniture and equipment	7,985	7,985
Computer equipment	17,229	17,229
Office equipment	12,445	12,445
	<hr/>	<hr/>
Less: accumulated depreciation	37,659	37,659
	<hr/>	<hr/>
	(37,659)	(37,659)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Other Assets		
Security deposit	2,600	2,600
Notes receivable - net of current portion	1,300	4,100
	<hr/>	<hr/>
	3,900	6,700
	<hr/>	<hr/>
Total assets	<hr/> \$ 327,693	<hr/> \$ 159,761
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	\$ 25,112	\$ 20,605
Gift card liability	13,759	13,411
Deferred franchise fees - current portion	10,933	13,909
Accrued payroll and other accrued liabilities	15,445	16,383
	<hr/>	<hr/>
Total current liabilities	<hr/> 65,249	<hr/> 64,308
	<hr/>	<hr/>
Long-term Liabilities		
Deferred franchise fees - net of current portion	71,284	66,017
Paycheck Protection Program loan	-	55,351
	<hr/>	<hr/>
Total long-term liabilities	<hr/> 71,284	<hr/> 121,368
	<hr/>	<hr/>
Total liabilities	<hr/> 136,533	<hr/> 185,676
	<hr/>	<hr/>
Stockholders' Equity (Deficit)		
Common stock; no par value; 2,250,000 shares authorized; 1,332,915 and 1,286,763 shares issued and outstanding at December 31, 2021 and 2020, respectively	656,637	638,638
Accumulated deficit	(465,477)	(664,553)
	<hr/>	<hr/>
Total stockholders' equity (deficit)	<hr/> 191,160	<hr/> (25,915)
	<hr/>	<hr/>
Total liabilities and stockholders' equity (deficit)	<hr/> \$ 327,693	<hr/> \$ 159,761
	<hr/>	<hr/>

STRAW HAT RESTAURANTS, INC.
STATEMENTS OF INCOME (OPERATIONS)
For the years ended December 31, 2021 and 2020

	2021	2020
REVENUES		
Administrative and marketing assessments	\$ 394,496	\$ 247,276
Vendor purchase agreement income	155,493	187,804
Initial franchise fees and franchise transfer fees	16,709	16,168
Marketing and other revenues	<u>5,718</u>	<u>5,078</u>
	<u>572,416</u>	<u>456,326</u>
OPERATING EXPENSES		
Salaries and fringe benefits	248,076	328,731
General and administrative expenses	189,120	298,332
Marketing expenses	<u>53,934</u>	<u>92,829</u>
	<u>491,130</u>	<u>719,892</u>
Operating income (loss)	81,286	(263,566)
OTHER INCOME (EXPENSE)		
PPP loan forgiveness income	55,351	-
Grant income - Employee Retention Credit	21,000	-
Grant income - California COVID-19 Relief	15,000	-
Interest expense	<u>(861)</u>	<u>(1,628)</u>
	<u>90,490</u>	<u>(1,628)</u>
Income (loss) before provision for income taxes	171,776	(265,194)
INCOME TAX BENEFIT	<u>27,300</u>	<u>4,700</u>
NET INCOME (LOSS)	<u>\$ 199,076</u>	<u>\$ (260,494)</u>

STRAW HAT RESTAURANTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended December 31, 2021 and 2020

	Common Stock		Accumulated Deficit		Total
	Shares	Amount			
BALANCE - January 1, 2020	1,240,611	\$ 620,639	\$ (404,059)	\$ 216,580	
Share-based compensation	46,152	17,999	-	17,999	
Net loss	-	-	(260,494)	(260,494)	
BALANCE - December 31, 2020	1,286,763	638,638	(664,553)	(25,915)	
Share-based compensation	46,152	17,999	-	17,999	
Net income	-	-	199,076	199,076	
BALANCE - December 31, 2021	<u>1,332,915</u>	<u>\$ 656,637</u>	<u>\$ (465,477)</u>	<u>\$ 191,160</u>	

STRAW HAT RESTAURANTS, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 199,076	\$ (260,494)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based compensation	17,999	17,999
PPP loan forgiveness income	(55,351)	-
Changes in operating assets and liabilities:		
Accounts receivable	(41,065)	20,123
Employee Retention Credit receivable	(21,000)	-
Prepaid income taxes	(31,171)	(5,211)
Security deposit	-	1,222
Accounts payable	4,507	1,359
Gift card liability	348	392
Deferred convention revenues	-	(9,500)
Deferred franchise fees	2,291	52,332
Accrued payroll and other accrued liabilities	<u>(938)</u>	<u>(11,439)</u>
Net cash provided by (used in) operating activities	74,696	(193,217)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	20,325	7,600
Issuance of notes receivable	<u>-</u>	<u>(28,000)</u>
Net cash provided by (used in) investing activities	20,325	(20,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>55,351</u>
Net cash provided by financing activities	<u>-</u>	<u>55,351</u>
NET INCREASE (DECREASE) IN CASH	95,021	(158,266)
CASH - beginning of year	42,944	201,210
CASH - end of year	<u>\$ 137,965</u>	<u>\$ 42,944</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 861</u>	<u>\$ 1,628</u>
Cash paid for income taxes	<u>\$ 12,800</u>	<u>\$ 500</u>
SUPPLEMENTAL NON-CASH FINANCING ACTIVITY:		
PPP loan forgiveness income	<u>\$ 55,351</u>	<u>\$ -</u>

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Straw Hat Restaurants, Inc. (the “Company”) was incorporated as a California Corporation on May 16, 2006. In mid-2008, the Company amended its Articles of Incorporation to allow franchising activities. The Company is a franchisor and conducts business under the name “Straw Hat Pizza”.

At December 31, 2021 and 2020, the Company had 28 and 26 operating franchise locations, respectively.

A summary of significant accounting policies follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles promulgated in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash represents unrestricted, non-interest-bearing cash on deposit with a local financial institution and cash on hand. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2021 and 2020.

Accounts Receivable

Accounts receivable consist of incentive revenues from certain vendors. At December 31, 2021 and 2020, there was no allowance for doubtful accounts, as management believes the full amount is collectible.

Furniture and Equipment

Furniture and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. The costs of repairs and maintenance are expensed as incurred. There was no depreciation expense for the years ended December 31, 2021 and 2020 as the assets were fully depreciated.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company derives its revenues mainly from administrative and marketing assessments, revenue from incentive programs and initial franchise and franchise transfer fees. Revenue recognition is evaluated under Accounting Standards Codification (“ASC”) 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Administrative and marketing assessments represent fixed monthly charges pursuant to the franchising agreements between the Company and individual franchisees. Revenue from incentive programs is earned pursuant to contractual agreements between the Company and certain vendors based on established purchase volumes by the franchisees. Under ASC 606, initial franchise fees are allocated to each individual store and recognized over the term of the respective franchise agreement from the date of the store opening. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Renewal fees are recognized over the renewal term for the respective store from the start of the renewal period.

Marketing and other revenue is recognized upon receipt after marketing orders have been fulfilled and upon delivery of marketing materials.

Gift cards are available for purchase at most franchise locations. The Company does not charge administrative fees on unused gift cards and gift cards do not have an expiration date. Revenue from gift card sales is recognized upon redemption of the gift card.

The Company records revenue from gift card breakage when the likelihood of the gift card being redeemed is remote and the Company does not have a legal obligation to escheat the value of unredeemed gift cards to the relevant jurisdictions. During the years ended December 31, 2021 and 2020, the Company did not record any revenue from gift card breakage.

Deferred convention revenue as of December 31, 2020 represents amounts received in advance of a 2021 convention attended by the franchisees.

The following table disaggregates the Company’s revenues based on the timing of satisfaction of performance obligations for the years ended December 31, 2021 and 2020:

	2021	2020
Performance obligation satisfied at a point in time	\$ 555,707	\$ 440,158
Performance obligation satisfied over time	<u>16,709</u>	<u>16,168</u>
	<hr/> <u>\$ 572,416</u>	<hr/> <u>\$ 456,326</u>

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Compensation

Share-based payments to employees (or to non-employee directors, as compensation for service on the Board of Directors) are recognized as compensation expense in the financial statements, based on the fair values of such payments. Share-based compensation arrangements to nonemployees are accounted for using a fair value approach. The compensation cost of these arrangements is included in the statements of income (operations), as the shares vest.

The fair value of each stock option grant is typically estimated on the date of the grant using the Black-Scholes valuation model. The expected term represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for each option is based on the long-term Treasury bill yield in effect at the date of each grant; the term of the Treasury bill coincides with the term of the option.

The assumptions used in the calculation of the fair value of the options granted were as follows:

	Board	Employee
Average exercise price	\$1.93	\$1.94
Expected term	5 years	10 years
Expected volatility	42.00%	42.00%
Risk-free interest rate	1.87%	3.26%

The Company accounts for forfeitures in the year that they occur.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2021 and 2020 were \$25,200 and \$67,306, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences resulting from events that have been previously recognized in the Company's financial statements or tax returns. The measurement of these deferred tax assets and liabilities is based on provisions of the enacted tax law, as adjusted for future changes in tax laws or rates, if reasonably expected. However, the effects of unexpected future changes in tax laws or rates are generally not anticipated.

The Company has evaluated its current tax positions and has concluded that at December 31, 2021 and 2020, it does not have any significant uncertain tax positions for which a reserve would be necessary or for which a disclosure should be made in the financial statements.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncement

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, balance sheets and cash flows.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, April 14, 2022.

2. LIQUIDITY

As a result of the COVID-19 pandemic, the Company experienced revenue declines of approximately 29% and incurred a net loss of \$260,494 during the year ended December 31, 2020. The revenue decline in 2020 was partially related to the Company's decision to suspend charging administrative and marketing assessments to franchisees for a period of time. Management of the Company has evaluated these conditions and implemented the following plans: the Company implemented cost cutting measures, opened new stores, and continued marketing to grow sales. In September 2020, the Company resumed charging administrative and marketing assessments, and the Company did not suspend these charges in 2021 and does not anticipate suspending these charges in 2022.

In addition, the Company obtained government assistance through variance sources of funding. The Company obtained a Paycheck Protection Program (“PPP”) loan of \$55,351 during the year ended December 31, 2020 which was forgiven during the year ended December 31, 2021 (refer to Note 5). The Company also claimed the Employee Retention Credit (“ERC”) in the amount of \$21,000 and received \$15,000 from the California Small Business COVID-19 Relief Grant Program during the year ended December 31, 2021.

The Company has net working capital of \$258,544, and an equity position of \$191,160 at December 31, 2021, cash flows provided by operating activities of \$74,696, and net income of \$199,076 for the year ended December 31, 2021. The Company believes it will have sufficient cash and capital to operate for at least the next 12 months.

The ability of the Company to continue as a going concern is dependent upon the continued success of management's plans.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

3. EMPLOYEE RETENTION CREDIT

The ERC, which was included as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and amended by the Consolidated Appropriations Act (“CAA”), the American Rescue Act (“ARPA”), and the Infrastructure Investment and Jobs Act (“IIJA”), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer’s share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Company qualified for the ERC as it experienced a significant decline in gross receipts (for 2020, defined as a 50% decline in gross receipts when compared to the same calendar quarter in 2019, and for 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019). The Company averaged less than 100 full-time employees during 2019, therefore, it was considered a small employer during 2020 and 2021. As a small employer, all of the Company’s otherwise qualified wages were eligible for the ERC. For 2021, the ERC equaled 70 percent of an employee’s qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

The Company has elected to account for the credit as a government grant. U.S. GAAP does not include grant accounting guidance for for-profit entities, therefore, the Company has elected to follow the grant accounting model in International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with IAS 20, the Company cannot recognize any income from the grant until there is reasonable assurance (similar to the “probable” threshold in U.S. GAAP) that any conditions attached to the grant will be met and that the grant will be received. Once it is reasonably assured that the grant conditions will be met and that the grant will be received, grant income is recorded on a systematic basis over the periods in which the Company recognizes the payroll expenses for which the grant is intended to compensate. Income from the grant can be presented as either other income or as a reduction in the expenses for which the grant was intended to compensate.

The Company claimed credits of \$21,000 on timely filed forms 941 which are recorded as grant income in the other income section of its statement of income for the year ended December 31, 2021. As of December 31, 2021, the Company had an ERC receivable of \$21,000. The Company did not qualify for a credit for the year ended December 31, 2020.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

4. NOTES RECEIVABLE

Notes receivable consist of the following:

	2021	2020
Note receivable from franchise owner, requires annual payments of \$1,000 with first payment due September 30, 2019 and subsequent payments due August 9 each year, bears zero interest, is unsecured and matures in August 2023.	\$ 2,000	\$ 3,000
Notes receivable from franchise owners, require monthly payments of ranging from \$500 to \$1,000, bear zero interest, are unsecured and mature through October 2021.	- -	18,000
Note receivable from franchise owner, requires one initial payment of \$1,000 with first payment due July 8, 2020 and subsequent payments of \$25 beginning July 15, 2020 due each week, bears zero interest, is unsecured and matures in August 2023.	<u>2,075</u>	<u>3,400</u>
Less: current portion	<u>4,075</u>	<u>24,400</u>
	<u>(2,775)</u>	<u>(20,300)</u>
	<u><u>\$ 1,300</u></u>	<u><u>\$ 4,100</u></u>

5. PAYCHECK PROTECTION PROGRAM LOAN

On April 29, 2020, the Company was approved for a loan in the amount of \$55,351 under the PPP which was established as part of the CARES Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities.

The Company met the PPP’s loan forgiveness requirements, and therefore, applied for forgiveness during June 2021. Legal release was received in August 2021, therefore, the Company recorded forgiveness income of \$55,351 within the other income section of its statement of income for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

6. RELATED PARTY TRANSACTIONS

Stock Transactions

During 2021 and 2020, the Company granted 46,152 shares of stock to certain members of the Board of Directors for their board service. The shares have a six-month vesting period and are valued at \$17,999 for the years ended December 31, 2021 and 2020. The shares were fully vested at December 31, 2021 and 2020 (refer to Note 8).

7. INCOME TAXES

The Company's income tax provision (benefit) for the years ended December 31, 2021 and 2020 consists of the following:

	2021	2020
Current:		
Federal	\$ 12,000	\$ 500
State	800	3,200
Utilization of net operating loss carryforwards	<u>(40,100)</u>	<u>(8,400)</u>
 Total income tax benefit	 <u>\$ (27,300)</u>	 <u>\$ (4,700)</u>

The components of deferred income tax assets as of December 31, 2021 and 2020 were as follows:

	2021	2020
Deferred federal income taxes	\$ (1,900)	\$ 54,700
Deferred state income taxes	13,000	22,300
Valuation allowance	<u>(11,100)</u>	<u>(77,000)</u>
 Total deferred income taxes	 <u>\$ -</u>	 <u>\$ -</u>

Temporary differences between the tax basis of assets and liabilities that give rise to the Company's potential deferred tax assets and liabilities and their approximate tax effects are primarily due to accrual to cash method differences as the tax returns are filed on a cash basis. The effective income tax rate is lower than the expected statutory rate applied to income before income taxes primarily due to the utilization of net operating loss carryforwards, deferred income tax adjustments and allowances.

As of December 31, 2021, the Company had federal and state net operating losses carryforwards of approximately \$9,000 and \$147,000, respectively. The state net operating losses carryforwards will expire starting in 2040.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

8. EQUITY INCENTIVE PLANS

In 2018, the Company's Board of Directors approved and adopted the 2018 Stock Plan (the "2018 Stock Plan") to grant stock options and restricted stock to officers, employees, directors, and consultants of the Company. A total of 350,000 shares have been reserved for issuance under the 2018 Stock Plan. During 2021 and 2020, 46,152 shares of fully vested restricted stock were granted each year to certain members of the Board of Directors under this plan (refer to Note 6). The Company recognized share-based compensation expense of \$17,999 each year during the years ended December 31, 2021 and 2020.

In previous years, the Company's Board of Directors granted stock options to certain directors and employees under the terms of two equity incentive plans (the "Employee Plan" and the "Board Member Plan") to purchase shares of the Company's common stock.

Options granted under the Employee Plan expire ten years from the date of grant. The vesting provision related to the timing of option exercise for the Employee Plan is 25% per year until fully vested after four years from the date of grant, contingent upon continued employment.

Options granted under the Board Member Plan expire five years from the date of grant. The vesting provision related to the timing of option exercise for the Board Member Plan is 100% after one year from the date of grant, contingent upon continued service.

Exercise prices of the various options noted above are generally based on the then estimated fair market value of the Company's shares as determined by the Company's Board of Directors based on relevant market conditions.

At December 31, 2021 and 2020, there were no outstanding options as none were granted during the year.

The following table is the summarized stock option activity for the years ended December 31, 2021 and 2020:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
Outstanding at December 31, 2019	9,500	\$ 1.94	0.96
Expired	<u>(9,500)</u>	-	-
Outstanding at December 31, 2020	<u>-</u>	<u>\$ -</u>	<u>-</u>

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

9. COMMITMENTS AND CONTINGENCIES

The Company leases office space in Dublin, California for executive management and operations under an operating lease agreement expiring in October 2022. The future minimum payments under the remaining lease commitment are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ <u>13,000</u>

Office rent expense for the years ended December 31, 2021 and 2020 amounted to \$15,960 and \$32,560, respectively.



Straw Hat Restaurants, Inc.

Financial Statements

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Straw Hat Restaurants, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Straw Hat Restaurants, Inc. (the "Company"), a California corporation, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Straw Hat Restaurants, Inc. as of December 31, 2020 and 2019, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

The 2020 financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has experienced operating losses and negative cash flows due to the impact of COVID-19 and substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 3. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California

April 15, 2021

STRAW HAT RESTAURANTS, INC.

BALANCE SHEETS

December 31, 2020 and 2019

	ASSETS	
	2020	2019 (As Restated)
Current Assets		
Cash	\$ 42,944	\$ 201,210
Accounts receivable	81,405	101,528
Prepaid income taxes	8,412	3,201
Notes receivable - current portion	20,300	1,000
Total current assets	153,061	306,939
Furniture and Equipment		
Furniture and equipment	7,985	7,985
Computer equipment	17,229	17,229
Office equipment	12,445	12,445
	37,659	37,659
Less: accumulated depreciation	(37,659)	(37,659)
	-	-
Other Assets		
Security deposit and other assets	2,600	3,822
Notes receivable - net of current portion	4,100	3,000
	6,700	6,822
Total assets	\$ 159,761	\$ 313,761
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	\$ 20,605	\$ 19,246
Gift card liability	13,411	13,019
Deferred convention revenues	-	9,500
Deferred franchise fees - current portion	13,909	12,321
Accrued payroll and other accrued liabilities	16,383	27,822
Total current liabilities	64,308	81,908
Long-term Liabilities		
Deferred franchise fees - net of current portion	66,017	15,273
Paycheck Protection Program loan	55,351	-
Total long-term liabilities	121,368	15,273
Total liabilities	185,676	97,181
Stockholders' Equity (Deficit)		
Common stock; no par value; 2,250,000 shares authorized;		
1,286,763 and 1,240,611 shares issued and outstanding at December		
31, 2020 and 2019, respectively	638,638	620,639
Accumulated deficit	(664,553)	(404,059)
Total stockholders' equity (deficit)	(25,915)	216,580
Total liabilities and stockholders' equity (deficit)	\$ 159,761	\$ 313,761

STRAW HAT RESTAURANTS, INC.
STATEMENTS OF OPERATIONS
For the years ended December 31, 2020 and 2019

	2020	2019
		(As Restated)
REVENUES		
Administrative and marketing assessments	\$ 247,276	\$ 411,849
Vendor purchase agreement income	187,804	205,971
Initial franchise fees and franchise transfer fees	16,168	23,868
Marketing and other revenues	<u>5,078</u>	<u>14,451</u>
	<u>456,326</u>	<u>656,139</u>
OPERATING EXPENSES		
Salaries and fringe benefits	328,731	258,786
General and administrative expenses	298,332	286,112
Marketing expenses	<u>92,829</u>	<u>57,401</u>
	<u>719,892</u>	<u>602,299</u>
Operating income (loss)	(263,566)	53,840
INTEREST EXPENSE	<u>(1,628)</u>	<u>(764)</u>
Income (loss) before provision for income taxes	(265,194)	53,076
INCOME TAX BENEFIT (PROVISION)	<u>4,700</u>	<u>(1,300)</u>
NET INCOME (LOSS)	<u>\$ (260,494)</u>	<u>\$ 51,776</u>

STRAW HAT RESTAURANTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended December 31, 2020 and 2019

	Common Stock		Accumulated Deficit		Total
	Shares	Amount			
BALANCE - January 1, 2019, as previously reported	1,163,691	\$ 590,640	\$ (477,946)	\$ 112,694	
Effect of restatement (refer to Note 2)	-	-	22,111	22,111	
BALANCE - January 1, 2019, as restated	1,163,691	590,640	(455,835)	134,805	
Issuance of shares	76,920	29,999	-	29,999	
Net income, as restated (refer to Note 2)	-	-	51,776	51,776	
BALANCE - December 31, 2019, as restated	1,240,611	620,639	(404,059)	216,580	
Issuance of shares	46,152	17,999	-	17,999	
Net loss	-	-	(260,494)	(260,494)	
BALANCE - December 31, 2020	<u>1,286,763</u>	<u>\$ 638,638</u>	<u>\$ (664,553)</u>	<u>\$ (25,915)</u>	

STRAW HAT RESTAURANTS, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019	(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (260,494)	\$ 51,776	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share-based compensation	17,999	29,999	
Deferred income taxes	-	500	
Changes in operating assets and liabilities:			
Accounts receivable	20,123	(44,816)	
Prepaid income taxes	(5,211)	800	
Security deposit and other assets	1,222	178	
Accounts payable	1,359	5,648	
Gift card liability	392	327	
Deferred convention revenues	(9,500)	7,000	
Deferred franchise fees	52,332	(11,868)	
Accrued payroll and other accrued liabilities	<u>(11,439)</u>	<u>4,536</u>	
Net cash provided by (used in) provided by operating activities	(193,217)	44,080	
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received on note receivable	7,600	4,500	
Issuance of notes receivable	<u>(28,000)</u>	<u>(5,000)</u>	
Net cash provided by (used in) investing activities	<u>(20,400)</u>	<u>(500)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Paycheck Protection Program loan	55,351	-	
Net cash provided by financing activities	55,351	-	
NET INCREASE (DECREASE) IN CASH	(158,266)	43,580	
CASH - beginning of year	201,210	157,630	
CASH - end of year	<u>\$ 42,944</u>	<u>\$ 201,210</u>	
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	\$ 1,628	\$ 764	
Cash paid for income taxes	<u>\$ 500</u>	<u>\$ -</u>	

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Straw Hat Restaurants, Inc. (the “Company”) was incorporated as a California Corporation on May 16, 2006. In mid-2008, the Company amended its Articles of Incorporation to allow franchising activities. The Company is a franchisor and conducts business under the name “Straw Hat Pizza”.

At December 31, 2020 and 2019, the Company had 26 operating franchise locations.

A summary of significant accounting policies follows:

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash represents unrestricted, non-interest-bearing cash on deposit with a local financial institution and cash on hand. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2020 and 2019.

Accounts Receivable

Accounts receivable consist of incentive revenues from certain vendors. At December 31, 2020 and 2019, there was no allowance for doubtful accounts, as management believes the full amount is collectible.

Furniture and Equipment

Furniture and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. The costs of repairs and maintenance are expensed as incurred. There was no depreciation expense for the years ended December 31, 2020 and 2019 as the assets were fully depreciated.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company derives its revenues mainly from administrative and marketing assessments, revenue from incentive programs and initial franchise and franchise transfer fees. Revenue recognition is evaluated under Accounting Standards Codification ("ASC") 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Administrative and marketing assessments represent fixed monthly charges pursuant to the franchising agreements between the Company and individual franchisees. Revenue from incentive programs is earned pursuant to contractual agreements between the Company and certain vendors based on established purchase volumes by the franchisees. Under ASC 606, initial franchise fees are allocated to each individual store and recognized over the term of the respective franchise agreement from the date of the store opening. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Renewal fees are recognized over the renewal term for the respective store from the start of the renewal period.

Marketing and other revenue is recognized upon receipt after marketing orders have been fulfilled and upon delivery of marketing materials.

Gift cards are available for purchase at most franchise locations. The Company does not charge administrative fees on unused gift cards and gift cards do not have an expiration date. Revenue from gift card sales is recognized upon redemption of the gift card.

The Company records revenue from gift card breakage when the likelihood of the gift card being redeemed is remote and the Company does not have a legal obligation to escheat the value of unredeemed gift cards to the relevant jurisdictions. During the years ended December 31, 2020 and 2019, the Company did not record any revenue from gift card breakage.

Deferred convention revenue as of December 31, 2019 represents amounts received in advance of a 2020 convention attended by the franchisees.

The following table disaggregates the Company's revenues based on the timing of satisfaction of performance obligations for the years ended December 31, 2020 and 2019:

	2020	2019 (As Restated)
Performance obligation satisfied at a point in time	\$ 440,158	\$ 632,271
Performance obligation satisfied over time	<u>16,168</u>	<u>23,868</u>
	<u><u>\$ 456,326</u></u>	<u><u>\$ 656,139</u></u>

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Compensation

Share-based payments to employees (or to non-employee directors, as compensation for service on the Board of Directors) are recognized as compensation expense in the financial statements, based on the fair values of such payments. Share-based compensation arrangements to nonemployees are accounted for using a fair value approach. The compensation cost of these arrangements is included in the statements of operations, as the shares vest.

The fair value of each stock option grant is typically estimated on the date of the grant using the Black-Scholes valuation model. The expected term represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for each option is based on the long-term Treasury bill yield in effect at the date of each grant; the term of the Treasury bill coincides with the term of the option.

The assumptions used in the calculation of the fair value of the options granted were as follows:

	Board	Employee
Average exercise price	\$1.93	\$1.94
Expected term	5 years	10 years
Expected volatility	42.00%	42.00%
Risk-free interest rate	1.87%	3.26%

The Company accounts for forfeitures in the year that they occur.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2020 and 2019 were \$67,306 and \$34,180, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences resulting from events that have been previously recognized in the Company's financial statements or tax returns. The measurement of these deferred tax assets and liabilities is based on provisions of the enacted tax law, as adjusted for future changes in tax laws or rates, if reasonably expected.

However, the effects of unexpected future changes in tax laws or rates are generally not anticipated.

The Company has evaluated its current tax positions and has concluded that at December 31, 2020 and 2019, it does not have any significant uncertain tax positions for which a reserve would be necessary or for which a disclosure should be made in the financial statements.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncement

The Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. In June 2020, The FASB then deferred the effective date of the standard to provide immediate, near term relief for certain entities for whom this ASU is either currently effective or imminently effective. The new standard will be effective for the Company for the year ending December 31, 2022. The Company is currently evaluating the timing of its adoption and its impact on its financial statements.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, April 15, 2021.

2. RESTATEMENT OF 2019 FINANCIAL STATEMENTS

The Company restated its financial statements as of and for the year ended December 31, 2019 following an error identified in the timing of recognizing its administrative and marketing assessment revenues following the guidance under ASC 606, *Revenue from Contracts with Customers*.

The following financial statement line items as of and for the year ended December 31, 2019 were restated as a result of the error:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Effect of changes</u>
Balance Sheet			
Asset			
Accounts receivable	\$ 71,627	\$ 101,528	\$ 29,901
Equity			
Accumulated deficit	\$ (433,960)	\$ (404,059)	\$ 29,901
Statement of Operations			
Administrative and marketing assessments revenue	\$ 404,059	\$ 411,849	\$ 7,790
Net income	\$ 43,986	\$ 51,776	\$ 7,790

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

3. GOING CONCERN

As a result of the COVID-19 pandemic (refer to Note 11), the Company experienced revenue declines of approximately 29% and incurred a net loss of \$260,494 during the year ended December 31, 2020. The Company obtained a PPP loan (refer to Note 5) in response to the pandemic and the Company expects to receive full forgiveness of the loan. The revenue decline in 2020 was partially related to the Company's decision to suspend charging administrative and marketing assessments to franchisees for a period of time.

These events and conditions gave rise to substantial doubt about the entity's ability to continue as a going concern. Management's plans for alleviating substantial doubt include cost cutting measures, opening new stores, and continued marketing to grow sales. In addition, in September 2020, the Company had resumed charging administrative and marketing assessments, and the Company does not anticipate suspending these charges in 2021.

While management expects to have sufficient liquidity over the period of at least next twelve months from the report date, the ability of the Company to continue as a going concern is dependent upon its continued ability to successfully accomplish the plans described in the preceding paragraph. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. There can be no assurance that the Company will be successful in accomplishing its objectives.

4. NOTES RECEIVABLE

Notes receivable consist of the following:

	2020	2019
Note receivable from franchise owner, requires annual payments of \$1,000 with first payment due September 30, 2019 and subsequent payments due August 9 each year, bears zero interest, is unsecured and matures in August 2023.	\$ 3,000	\$ 4,000
Notes receivable from franchise owners, require monthly payments of ranging from \$500 to \$1,000, bear zero interest, are unsecured and mature through October 2021.	18,000	-
Note receivable from franchise owner, requires one initial payment of \$1,000 with first payment due July 8, 2020 and subsequent payments of \$25 beginning July 15, 2020 due each week, bears zero interest, is unsecured and matures in August 2023.	3,400	-
	24,400	4,000
Less: current portion	<u>(20,300)</u>	<u>(1,000)</u>
	<u>\$ 4,100</u>	<u>\$ 3,000</u>

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

5. PAYCHECK PROTECTION PROGRAM LOAN

On April 29, 2020, the Company has been approved for a loan in the amount of \$55,351 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages by more than 25% during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1.75% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Company expects to meet the PPP's loan forgiveness requirements, and will apply for forgiveness during 2021. When and if legal release is received, the Company will record the amount forgiven as forgiveness income within the other income section of its statement of operations. If any portion of the Company's PPP loan is not forgiven, the Company will be required to repay that portion, plus interest, over two years in equal installments with the repayment term beginning at the time that the SBA remits the amount forgiven to the Company's lender.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

As of December 31, 2020, the Company cannot determine when the loan will be approved for forgiveness by the SBA, at which point if the loan is not forgiven, the payments on the loan will start. At December 31, 2020, the Company classified the loan as non-current as management expects the loan to be forgiven.

6. RELATED PARTY TRANSACTIONS

Stock Transactions

During 2020 and 2019, the Company granted 46,152 and 76,920 shares of stocks, respectively to certain members of the Board of Directors for their board service. The shares have a six-month vesting period and are valued at \$17,999 and \$29,999 for the years ended December 31, 2020 and 2019, respectively. The 46,152 and 76,920 shares were fully vested at December 31, 2020 and 2019, respectively (refer to Note 8).

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

7. INCOME TAXES

The Company's income tax provision (benefit) for the years ended December 31, 2020 and 2019 consists of the following:

	2020	2019
Current:		
Federal	\$ 500	\$ 3,000
State	3,200	1,200
Utilization of net operating loss carryforwards	(8,400)	(3,400)
Total current	<u>(4,700)</u>	<u>800</u>
Deferred:		
Federal	-	1,300
State	-	(800)
Total deferred	<u>-</u>	<u>500</u>
 Total income tax provision (benefit)	 <u>\$ (4,700)</u>	 <u>\$ 1,300</u>

The components of deferred income tax assets as of December 31, 2020 and 2019 were as follows:

	2020	2019
Deferred federal income taxes	\$ 54,700	\$ 9,300
Deferred state income taxes	22,300	3,000
Valuation allowance	<u>(77,000)</u>	<u>(12,300)</u>
 Total deferred income taxes	 <u>\$ -</u>	<u>\$ -</u>

Temporary differences between the tax basis of assets and liabilities that give rise to the Company's potential deferred tax assets and liabilities and their approximate tax effects are primarily due to accrual to cash method differences as the tax returns are filed on a cash basis. The effective income tax rate is lower than the expected statutory rate applied to income before income taxes primarily due to the utilization of net operating loss carryforwards, deferred income tax adjustments and allowances.

As of December 31, 2020, the Company had federal and state net operating losses carryforwards of approximately \$261,000 and 252,000, respectively. The state net operating losses carryforwards will expire starting in 2040.

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

8. EQUITY INCENTIVE PLANS

In 2018, the Company's Board of Directors approved and adopted the 2018 Stock Plan (the "2018 Stock Plan") to grant stock options and restricted stock to officers, employees, directors, and consultants of the Company. A total of 350,000 shares have been reserved for issuance under the 2018 Stock Plan. During 2020 and 2019, 46,152 and 76,920 shares of fully vested restricted stock, respectively, were granted each year to certain members of the Board of Directors under this plan (refer to Note 6). The Company recognized share-based compensation expense of \$17,999 and \$29,999 during the years ended December 31, 2020 and 2019, respectively.

In previous years, the Company's Board of Directors granted stock options to certain directors and employees under the terms of two equity incentive plans (the "Employee Plan" and the "Board Member Plan") to purchase shares of the Company's common stock.

Options granted under the Employee Plan expire ten years from the date of grant. The vesting provision related to the timing of option exercise for the Employee Plan is 25% per year until fully vested after four years from the date of grant, contingent upon continued employment.

Options granted under the Board Member Plan expire five years from the date of grant. The vesting provision related to the timing of option exercise for the Board Member Plan is 100% after one year from the date of grant, contingent upon continued service.

Exercise prices of the various options noted above are generally based on the then estimated fair market value of the Company's shares as determined by the Company's Board of Directors based on relevant market conditions.

At December 31, 2020 and 2019, there were no unrecognized compensation costs remaining as options granted under the Equity Incentive Plans are fully vested.

The following table is the summarized stock option activity for the years ended December 31, 2020 and 2019:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
Outstanding at December 31, 2018	47,050	\$ 1.94	1.51
Expired	<u>(37,550)</u>	-	-
Outstanding at December 31, 2019	9,500	\$ 1.94	0.96
Expired	<u>(9,500)</u>	-	-
Outstanding at December 31, 2020	<u>-</u>	<u>\$ -</u>	<u>-</u>

STRAW HAT RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

9. RETIREMENT PLAN

The Company has a retirement savings 401(k) plan in which substantially all employees may participate. The Company matches employees' contributions based on a percentage of salary contributed by participants. Effective January 1, 2013, the Company elected to suspend the employer matching contributions. For the years ended December 31, 2020 and 2019, the Company made no contributions to the plan.

10. COMMITMENTS AND CONTINGENCIES

The Company leased office space in San Ramon under an operating lease agreement that expired in November 2020. Effective November 1, 2020, the Company leases office space in Dublin, California for executive management and operations under an operating lease agreement expiring in October 2021. The future minimum payments under the remaining lease commitment are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	<u>\$ 13,000</u>

Office rent expense for the years ended December 31, 2020 and 2019 amounted to \$32,560 and \$32,432, respectively.

11. UNCERTAINTIES

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, as of March 2020, the California State Governor ordered the closure of the physical location of every business, except those identified in the "critical infrastructure sectors," for a limited period of time. The outbreak has led to severe disruptions and uncertainty regarding economic conditions and credit and capital markets and funding sources. As a result of the pandemic, the Company experienced a decline in annual revenues of 29% and incurred a net loss of \$260,494. In response, the Company obtained a PPP loan (refer to Note 5) and implemented cost cutting measures at the end of 2020. The duration and economic impact of the outbreak is uncertain but it is possible future operations may be impacted. The Company will continue to monitor the situation closely, but management cannot estimate the impact on future operating results.

EXHIBIT H
LIST OF FRANCHISES

**List of
Franchisees**

California	
Randy Hoffman 6314 Ashe Rod. #100 Bakersfield, CA 93313 Telephone: (661) 412-7524	Sal Listek 6680 Lone Tree Way Brentwood, CA 94513 Telephone: (925) 634-3664
Manjinder Brar 10729 South St. Cerritos, CA 90703 Telephone: (562) 925-8441	Omar Sharifi 12552 Central Avenue Chino, CA 91710 Telephone: (909) 627-1534
Ranjit Dosanjh 80 W. Shaw Ave Clovis, CA 93612 Telephone: (559) 323-1300	Lisa & Gary Benton 1111 W. Visalia Road Exeter, CA 93221 Telephone: (559) 592-5111
Arvinder Singh 1295 Horizon Drive, Suite A Fairfield, CA 94533 Telephone: (707) 421-8300	Camilla & Simon Bachir 2026 Freedom Blvd. Freedom, CA 95019 Telephone: (831) 722-3555
Manjit Sandhu 46350 Mission Blvd. Fremont, CA 94539 Telephone: (510) 270-8336	Raj Nayyar 1053 First Street Gilroy, CA 95020 Telephone: (408) 842-2745
Fely Gabriel 186 San Mateo Road Half Moon Bay, CA 94019 Telephone: (650) 726-2758	Sonia Mani 1653 Industrial Parkway Hayward, CA 94544 Telephone: (510) 265-0235
Satwinder Sadhra 191 Felipe Road, Suite A Hollister, CA 95023 Telephone: (831) 630-9400	Satwinder Sadhra 341 Trest Pinos Rd. Hollister, CA 95023 Telephone: (831) 630-9000
Rajinder Singh 36618 Lassen Avenue Huron, CA 93234 Telephone: (559) 945-1234	Deborah Morris & Denise Jongerius 6522 E. Spring St. Long Beach, CA 90815 Telephone: (562) 421-4491
Avneet & Sukh Bassi Gary Saini 1238 N. Main St. Manteca, CA 95336 Telephone: (209) 825-8744	Ray Nayyar 300 W. Calaveras Blvd. Milpitas, CA 95035 Telephone: (408) 709-5677
Masoud & Marzieh Soudani 2929 Mather Field Rd Rancho Cordova, CA 95670 Telephone: (916) 363-5050	Avneet Bassi & Sukh Bassi 5514 Pacific St. Rocklin, CA 95677 Telephone: (916) 624-7499

Suleman & Rhonda Chaudhary 1510 Monterey Road, Ste 20 San Jose, CA 95110 Telephone: (408) 295-1970	Randy & Mary Wise 1822 N. Broadway Santa Maria, CA 93454 Telephone: (805) 347-1942
Vikas Sharma 3228 N. Tracy Blvd. Tracy, CA 95376 Telephone: (209) 830-7777	Nasser Jiroudi 206 E. Caldwell Avenue Visalia, CA 93277 Telephone: (559) 429-4110
Avneet & Sukh Bassi Gary Saini 510 4th St. Williams, CA 95987 Telephone (530) 473-5150	Avneet Bassi & Sukh Bassi 540 Bogue Rd. Ste: W-2 Yuba City, CA 95991 Telephone (530) 671-5150

EXHIBIT I
LIST OF FORMER FRANCHISEES

Avneet & Sukh Bassi Gary Saini 540 Bogue Rd. Ste: W-2 Yuba City, CA 95991 / Telephone (530) 870-7904

EXHIBIT J
ELECTRONIC DEBIT AUTHORIZATION

Electronic Debit Authorization
(Authorization Agreement for Pre-Authorized Payments Via ACH Debit Originations)

FRANCHISEE NAME: _____

FEIN: _____

FRANCHISEE ("I" or "We") hereby authorizes Straw Hat Restaurants, Inc.("COMPANY"), to initiate debit entries to my (our) checking account indicated below in the depository named below, hereafter called DEPOSITORY, to debit the same to such account.

DEPOSITORY NAME: _____

CITY & STATE: _____

ABA/TRANSIT NO: _____

ACCOUNT NO.: _____

This authorization is to remain in full force and effect until the underlying obligations per the Franchise Agreement between FRANCHISEE and COMPANY have been satisfied in full or released in writing by COMPANY.

This authorization further confirms my agreement that that this authorization shall apply to any and all Depositories and Bank Accounts with which I/we open during the term of the Franchise Agreement and any renewals. Without limiting the generality of the foregoing, I/we understand that if I/we close any bank account, I/we are obligated to immediately, (i) notify COMPANY thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to COMPANY all documents necessary for COMPANY to begin and continue making withdrawals from such depository/bank account by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed form me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

NAME: _____

Signature: _____

Dated: _____

Or for business entity franchisee:

Signature: _____

Dated: _____

As Its: _____

Federal Tax ID # or SS#: _____

EXHIBIT K
SPOUSAL CONSENT AND WAIVER

SPOUSAL CONSENT AND WAIVER

The undersigned _____ ("Spouse") hereby represents that he/she is a resident of the State of _____ and is the spouse of _____ ("Franchise Owner"). Spouse acknowledges and understands that, contemporaneously herewith, Franchise Owner, or a corporation, partnership or limited liability company in which Franchise Owner is a principal owner (the "Franchisee"), will be entering into a Franchise Agreement with Straw Hat Restaurants, Inc. ("Franchisor") to acquire a Straw Hat franchise and operate a Straw Hat restaurant. Spouse hereby consents to this transaction and waives any right, now or in the future, to assert a community property or quasi community property interest in the franchise, the Franchise Agreement, the Straw Hat restaurant or in the Franchisee. Spouse understands that in the absence of this Spousal Consent and Waiver, Franchisor, as a condition of granting the Straw Hat franchise to Franchise Owner, would have required Spouse to personally enter into the Franchise Agreement or to execute a personal guaranty of all of Franchisee's obligations under the Franchise Agreement. Spouse represents and agrees that the waiver of this condition by Franchisor is sufficient consideration for this Spousal Consent and Waiver. Spouse understands that if Spouse did not wish to provide this Spousal Consent and Waiver, Spouse could have agreed to personally execute the Franchise Agreement or the personal guaranty. Spouse hereby represents and acknowledges that Spouse knowingly and deliberately elected not to do so and to instead provide this Spousal Consent and Waiver. If notwithstanding this Spousal Consent and Waiver, Spouse claims or is awarded in a legal action a community property interest, quasi community property interest or other ownership interest in the franchise, the Franchise Agreement, the Straw Hat restaurant or in Franchisee, other than by way of a transfer approved in writing by Franchisor as provided in the Franchise Agreement, Spouse hereby agrees, without further action or execution of further instruments, to be personally bound by all of the terms of the Franchise Agreement and to be liable for the performance of all obligations thereunder.

Spouse

Dated: _____

EXHIBIT L
STATE ADDENDA

CALIFORNIA ADDENDUM

CALIFORNIA APPENDIX

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.

THE FRANCHISE AGREEMENT PROVIDES FOR TERMINATION UPON BANKRUPTCY. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 U.S.C. SEC. 101 ET SEQ.).

NEITHER THE FRANCHISOR NOR ANY PERSON DESCRIBED IN ITEM 2 OF THE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES ASSOCIATION OR NATIONAL SECURITIES EXCHANGE AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 USCA 78a ET SEQ., SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN THAT ASSOCIATION OR EXCHANGE.

OUR URL IS www.strawhatpizza.com. 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.dfp.ca.gov.

THE FRANCHISOR, ANY PERSON OR FRANCHISE BROKER IN ITEM 2 OF THE FDD IS NOT SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES ASSOCIATION OR NATIONAL SECURITIES EXCHANGE, AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 U.S.C.A. 78A ET SEQ., SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN SUCH ASSOCIATION OR EXCHANGE.

CALIFORNIA BUSINESS AND PROFESSIONS CODE 20000 THROUGH 20043 PROVIDE RIGHTS TO THE FRANCHISEE CONCERNING TRANSFER, TERMINATION 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.

THE FRANCHISE AGREEMENT CONTAINS A LIQUIDATED DAMAGES CLAUSE. UNDER CALIFORNIA CIVIL CODE SECTION 1671, CERTAIN LIQUIDATED DAMAGES CLAUSES ARE UNENFORCEABLE.

THE FRANCHISE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR IN CONTRA COSTA COUNTY, CALIFORNIA WITH THE COSTS BEING BORNE BY EACH PARTY EQUALLY. PROSPECTIVE FRANCHISEES ARE ENCOURAGED TO CONSULT PRIVATE LEGAL COUNSEL TO DETERMINE THE APPLICABILITY OF CALIFORNIA AND FEDERAL LAWS (SUCH AS BUSINESS AND PROFESSIONS CODE SECTION 20040.5, CODE OF CIVIL PROCEDURE SECTION 1281, AND THE FEDERAL ARBITRATION ACT) TO ANY PROVISIONS OF A FRANCHISE AGREEMENT RESTRICTING VENUE TO A FORUM OUTSIDE THE STATE OF CALIFORNIA.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

The highest interest rate allowed by law in California is 10% annually.

Item 19. The financial performance representation figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Straw Hat Pizza restaurant. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

The Department of Financial Protection and Innovation has determined that either the franchisor has not demonstrated it is adequately capitalized or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a financial condition as follows: As required by the California Department of Financial Protection and Innovation, Straw Hat Pizza has agreed to defer the collection of all initial fees in California until Straw Hat Pizza has performed all of its pre-opening obligations to the Franchisee and the Franchisee has commenced doing business. Therefore, you would instead pay the initial franchise fee to Straw Hat Pizza when your restaurant opens. However, you would still be required to enter into a Franchise Agreement in order to be granted a franchise. In the future, should this fee deferral requirement be lifted by the State of California, the collection of fees from you would occur as and when described in Item 5.

EXHIBIT M
STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration:

California, Hawaii, Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT N
RECEIPTS

**RECEIPT
(YOUR COPY)**

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 Straw Hat Restaurants, Inc. offers you a franchise, we must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

Under Iowa or Maine law, if applicable, we must provide this disclosure document to you at the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Fourteen calendar days before signing of a binding agreement; or
3. Fourteen calendar days before payment to us.

If we offer you a franchise subject to the franchise laws of Indiana, Michigan, Washington, or Wisconsin, we must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of Oklahoma, New York, Rhode Island, or South Dakota, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Straw Hat Restaurants, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise:

Name	Name
Address	Address
Address	Address
Phone	Phone

I have received a Disclosure Document issued April 19, 2023.

Our agents for service of process are listed in Exhibit A of the Disclosure Document.

This Disclosure Document included the following exhibits:

Exhibit A	List of State Regulators and Agents for Service of Process
Exhibit B	Franchisee Application
Exhibit C-1	Attestation to Financial Data and Authorization for Release of Personal Information
Exhibit C-2	Form General Release
Exhibit D-1	Franchise Agreement for Straw Hat Pizza Restaurant
Exhibit D-2	Multi-Unit Development Agreement for Straw Hat Pizza Restaurant
Exhibit E	Guaranty of Franchise Agreement
Exhibit F	Tables of Contents of Operations Manual
Exhibit G	Financial Statements
Exhibit H	List of Franchisees
Exhibit I	List of Former Franchisees
Exhibit J	Electronic Debit Authorization
Exhibit K	Spousal Consent and Waiver
Exhibit L	State Addenda
Exhibit M	State Effective Dates
Exhibit N	Receipts

Date: _____ Signature: _____ Printed Name: _____

Date: _____ Signature: _____ Printed Name: _____

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT
(OUR COPY)

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1. The first personal meeting to discuss our franchise; or
2. Fourteen calendar days before signing of a binding agreement; or
3. Fourteen calendar days before payment to us.

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1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of Oklahoma, New York, Rhode Island, or South Dakota, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

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The name, principal address and telephone number of each franchise seller offering the franchise:

Name	Name
Address	Address
Address	Address
Phone	Phone

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Exhibit L	State Addenda
Exhibit M	State Effective Dates
Exhibit N	Receipts

Date: _____ Signature: _____ Printed Name: _____

Date: _____ Signature: _____ Printed Name: _____

Please sign this copy of the receipt, date your signature, and return it to: Sal Listek, Acting President, Straw Hat Restaurants, Inc. 11501 Dublin Blvd., Suite 200, Dublin, California 94568, telephone number (925) 837-3400.