



FRANCHISE DISCLOSURE DOCUMENT

HBG Franchise, LLC
a Delaware limited liability company
1 Glen Bell Way
Irvine, CA 92618
949-851-8881
franchising@habitburger.com
www.habitburger.com

The franchise is to operate a restaurant under the “The Habit Burger Grill” name that features premium hamburgers, sandwiches, salads, and related products and services.

The total investment necessary to begin operation of a Habit Burger Restaurant franchise is \$1,466,000 to \$1,849,000 for build-to-suit end cap and standalone locations (with or without a drive-thru). This includes \$98,500 to \$119,400 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation under an Area Development Agreement is \$52,000 to \$275,000. This includes \$50,000 to \$250,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact John Phillips, our Chief Global Business Partnership Officer, at 1 Glen Bell Way, Irvine, CA 92618, 949-851-8881.

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

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

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

Issuance date of this Franchise Disclosure Document: April 5, 2023.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation or litigation only in the state in which our principal place of business is located at the time the claim is brought. Out-of-state mediation and or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and/or litigate with us in a state other than in your own state.

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

**THE FOLLOWING PROVISIONS APPLY ONLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise Section
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
(517) 335-7567

Note: Despite paragraph (f) above, we intend, and we and you agree, to enforce fully the arbitration provisions of our Franchise Agreement and Area Development Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is HBG Franchise, LLC (“we,” “us,” or “our”). “You” means the person to whom we grant a franchise. If you are a corporation, partnership, limited liability company, or other entity, each of your owners with a direct or indirect ownership of at least 10% in you must sign our “Guaranty and Assumption of Obligations,” which means that all of our Franchise Agreement’s provisions (Exhibit B) also will apply to such owners.

We are a limited liability company organized in Delaware on March 4, 2013. Our principal business address is 1 Glen Bell Way, Irvine, CA 92618. We operate under our corporate name and the trademarks described in Item 13 (the “Marks”) and no other name. If we have an agent in your state for service of process, we disclose that agent in Exhibit A.

Our direct parent company is The Habit Restaurants, LLC, a limited liability company organized in Delaware (“THR”). Its principal business address is the same as ours. THR is itself a wholly-owned subsidiary of The Habit Restaurants, Inc., a Delaware corporation whose principal business address is also the same as ours (“Restaurants Inc.”). Restaurants Inc. is the sole managing member of THR. Neither THR nor Restaurants Inc. offer or has ever offered franchises in any line of business. We do not operate, and have never operated, a Habit Burger Restaurant (defined below), but THR currently operates Habit Burger Restaurants in a number of states. Restaurants Inc. and YUM! Brands, Inc. (“YUM”) entered into an Agreement and Plan of Merger on January 5, 2020 and completed a merger transaction on March 20, 2020, as a result of which Restaurants Inc. is now wholly-owned by YUM, which is now our ultimate parent. YUM’s offices are located at 1441 Gardiner Lane, Louisville, Kentucky 40213.

THR’s predecessor was The Habit Restaurants, Inc., whose principal business address was 1019 Capala Street, Santa Barbara, California 93101. Although THR’s predecessor and Restaurants Inc. have a similar name, they are different entities. THR’s predecessor began operating Habit Burger Restaurants in 1969. There were 8 Habit Burger Grill locations in Santa Barbara County, California, operating under license agreements with THR’s former chief executive officer. THR purchased these 8 locations from its former chief executive officer in 2021. We began offering franchises for Habit Burger Restaurants in May 2013. We have no other business activities and do not, and we or our affiliates have never, offered franchises in other lines of business.

Licenses and Franchises Offered by YUM’s Subsidiaries

The following YUM subsidiaries either offer licenses or franchises within the United States:

<u>Name / Address</u>	<u>Product / Services Provided to Habit Burger Franchisees</u>	<u>Conduct of Habit Burger Business</u>	<u>Offer of Habit Burger Franchisees</u>	<u>Offer of Other Franchises/Licensees</u>
<p>KFC US, LLC (and affiliates and subsidiaries) ("KFCLLC")</p> <p>1900 Colonel Sanders Lane Louisville, KY 40213</p>	Not applicable	KFCLLC has never operated Habit Burger Restaurants	KFCLLC has never offered licenses or franchises for Habit Burger Restaurants	<p>Since 1952 KFCLLC and its predecessors and affiliates have operated and offered franchises or licenses for KFC restaurants, which specialize in quick-service chicken with side dishes.</p> <p>As of December 26, 2022, KFCLLC and its subsidiaries operated 46 traditional KFC restaurants, 274 franchisees operated 3,842 traditional restaurants, and 21 licensees operated 30 non-traditional restaurants.⁽¹⁾</p>
<p>Taco Bell Franchisor, LLC (and affiliates and subsidiaries) ("TBLLC")</p> <p>1 Glen Bell Way Irvine, CA 92618</p>	Not applicable	TBLLC has never operated Habit Burger Restaurants	TBLLC has never offered licenses or franchises for Habit Burger Restaurants	<p>Since 1964 TBLLC and its predecessors and affiliates have operated and offered franchises or licenses for Taco Bell restaurants, offering Mexican-style food for take-out and on-premises seating.</p> <p>As of December 27, 2022, TBLLC operated approximately 464 traditional Taco Bell restaurants and 7 non-traditional restaurants. A total of approximately 7,049 traditional restaurants and 242 express restaurants were operated by approximately 246 franchisees and 82 licensees.⁽¹⁾</p>
<p>Pizza Hut, LLC ("PHLLC")</p> <p>7100 Corporate Drive, Plano, TX 75024</p>	Not applicable	PHLLC has never operated Habit Burger Restaurants	PHLLC has never offered licenses or franchises for Habit Burger Restaurants	<p>PHLLC and certain of its current and former affiliates have operated Pizza Hut Restaurants in the United States since 1958 and have offered franchises for Pizza Hut Restaurants in the United States since 1959. Company-owned Pizza Hut Express restaurants have been operated since 1987.</p> <p>PHLLC operates (directly and/or through its subsidiaries and affiliates) and offers franchises for single-purpose Pizza Hut restaurants, which offer various combinations of dine-in, carryout, and</p>

<u>Name / Address</u>	<u>Product / Services Provided to Habit Burger Franchisees</u>	<u>Conduct of Habit Burger Business</u>	<u>Offer of Habit Burger Franchisees</u>	<u>Offer of Other Franchises/Licensees</u>
				<p>delivery services. PHLLC also offers licenses to sell Pizza Hut pizza and related products at non-traditional locations. PHLLC has in the past, but does not currently operate any non-traditional sites.</p> <p>As of December 31, 2022, Pizza Hut operated 21 traditional Pizza Hut restaurants, 104 franchisees operated a total of 5,303 traditional restaurants and 146 licensees operated a total of 1,283 express restaurants.</p>

(1) The number of restaurants that an affiliate operates or franchises includes multi-brand restaurants at which more than one brand is operated.

Our Business and the Franchise Offered

We grant development rights and franchises for restaurants operating under the “The Habit Burger Grill” name and other Marks. (For reference purposes in this disclosure document, we call the restaurants in our system “Habit Burger Restaurants”; we call the Habit Burger Restaurant that you will operate the “Restaurant.”)

Habit Burger Restaurants offer premium hamburgers, sandwiches, salads, and related products and services (“Menu Items”). Menu Items are prepared according to our specified recipes and procedures and use high quality ingredients, including our specially formulated and specially produced proprietary grind on burger blend and other food products (collectively, “Trade Secret Food Products”). If you acquire a franchise, you must operate your Restaurant according to our business formats, methods, procedures, designs, layouts, standards, and specifications.

You will also sign an Area Development Agreement (Exhibit B-1) under which you will develop a specified number of Habit Burger Restaurants within a defined geographic area (the “Development Area”) according to a mandatory development schedule (the “Schedule”). You will sign a separate franchise agreement for each Habit Burger Restaurant developed. We may require you to sign a form of franchise agreement that is different from the form of franchise agreement included in this franchise disclosure document.

Your Restaurant will offer products and services to the general public throughout the year and compete with other hamburger chains (local, regional, and national), restaurants, grocery stores and food service businesses. The restaurant business, particularly the quick-service and fast casual restaurant business, is highly competitive. Changes in taste, eating habits, and local and national economic conditions often affect the restaurant business. The principal bases of competition are quality and price of food products offered, but name identification, site selection, speed of service, advertising, attractiveness of facilities and other factors also are important. Your

competition will include other quick-service and fast casual restaurants close to your Restaurant, including franchised and non-franchised national and regional restaurant chains, and other businesses offering prepared and hot food. Despite this competition, we believe that Habit Burger Restaurants appeal to consumers because of our product and service quality.

There are no regulations that apply specifically to the industry in which Habit Burger Restaurants operate. However, you must comply with laws that apply generally to all food service businesses. Some generally applicable laws that impact Habit Burger Restaurants include local health inspection laws that govern food handling, temperatures, and other health considerations; federal, state, and local building and zoning codes; and immigration, tax, unemployment, workers compensation, discrimination, and disability laws. You should investigate these laws.

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer of THR Until June 2023: Russell Bendel

Mr. Bendel has been our Chief Executive Officer since March 2013. He has also been Chief Executive Officer of THR since June 2008. Mr. Bendel will retire in June 2023 and will no longer be Chief Executive Officer after that time.

President Until June 2023 and Chief Executive Officer of THR Beginning June 2023: Shannon Hennessy

Ms. Hennessy has been President for us and THR since July 2022. Ms. Hennessy will be our and THR's Chief Executive Officer beginning June 2023 and will no longer be President after that time. From February 2020 to July 2022, she was Global CFO for KFC in Dallas, Texas. From September 2005 to January 2020, Ms. Hennessy served in various capacities, including Managing Partner, at McKinsey in Dallas, Texas.

Chief Global Business Partnership Officer: John Phillips

Mr. Phillips is and has been Chief Global Business Partnership Officer for us and THR since October 2018. From March 2013 until October 2018, he was Vice President of Franchising for us and THR.

Chief Operating Officer of THR: Iwona Alter

Ms. Alter is and has been our Chief Operating Officer since December 2022. Prior to that, Ms. Alter was our Chief Brand Officer from December 2018 to December 2022. From October 2016 through September 2018, she was Chief Marketing Officer for Jack In The Box in San Diego, California.

Chief Legal Officer of THR: Jason Oviatt

Mr. Oviatt is and has been the Chief Legal Officer of THR since April 2020. Prior to that, he was Director, Division Counsel and Assistant Secretary at Taco Bell Corp. from April 2018 through April 2020. He has also held several legal roles at Taco Bell Corp. from August 2011 through April 2018.

Chief Quality Officer of THR: Peter Whitwell

Mr. Whitwell is and has been Chief Quality Officer of THR since January 2005.

Chief Information Officer of THR: Steven “Mike” Repetti, Jr.

Mr. Repetti is and has been Chief Information Officer of THR since January 2016.

Chief Development Officer of THR: Douglas Branigan

Mr. Branigan is and has been Chief Development Officer of THR since April 2017. From August 2013 to March 2017, he was Vice President, Franchise Development and Chief Development Officer for Black Bear Diner, Inc. in Redding, California.

Chief Marketing Officer: Jack Hinchliffe

Mr. Hinchliffe is and has been our Chief Marketing Officer since February 2023. From November 2016 to February 2023, Mr. Hinchliffe held several positions with KFC in the United Kingdom: Chief Marketing Officer from September 2021 to February 2023, Marketing Director from April 2019 to September 2021, and Innovation Director from November 2016 to April 2019.

Chief Financial Officer: Tiffany Furman

Ms. Furman is and has been our Chief Financial Officer since October 2022. From June 2014 to October 2022, Ms. Furman held several positions with Taco Bell in Irvine, California: Senior Director of Development from February 2021 to October 2022, Director of Franchise Finance from July 2017 to January 2021, and Senior Manager of Business Planning from June 2014 to June 2017.

Chief People Officer of THR: Tanya Corners

Ms. Corners is and has been Vice President of Human Resources of THR since December 2011.

Vice President of Facilities of THR: Robert Wach

Mr. Wach is and has been Vice President of Facilities of THR since May 2014.

Director of New Store Opening of THR: George Khouri

Mr. Khouri is and has been Director of New Store Opening of THR since November 2013.

Franchise Sales Manager: Crystal Wells

Ms. Wells has been our Franchise Sales Manager since October 2018. Prior to that, she was the Franchise Development Manager for Del Taco in Lake Forest, California from November 2017 to October 2018.

Franchise Business Manager: David Gneckow

Mr. Gneckow has been our Franchise Business Manager since December 2020. Prior to that, he was our District Manager from March 2014 through December 2020.

Franchise Business Manager: Roberto Barraza

Mr. Barraza is and has been our Franchise Business Manager since September 2019. He has also been District Manager of THR from February 2017 until September 2019.

Vice President, Purchasing and Distribution of THR: Gregory Hanssen

Mr. Hanssen is and has been our Vice President, Purchasing and Distribution since October 2017. Prior to that, he was President for Oasis Provisions in Garden Grove, California from December 1999 through October 2017.

Director of Learning and Development of THR: Cheryl Thompson

Ms. Thompson is and has been our Director of Learning and Development since October 2018. From March 2016 through October 2018, she was our Learning Manager.

Director of Construction: Brad Jefferies

Mr. Jefferies is and has been our Director of Construction since June 2019. Prior to that, he was Project Manager with Mitchell General Contractors in Irvine, California from October 2018 through June 2019. He was the Director of Design and Construction for Rubio's Restaurants, Inc. in Carlsbad, California from January 2013 until October 2018.

Design Manager: John Natland

Mr. Natland is and has been our Design Manager since June 2021. Prior to that, he was the A&D Manager for Taco Bell in Irvine, California from January 2015 to June 2021.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this Item.

Item 5

INITIAL FEES

Franchise Agreement

You must pay us an initial franchise fee. Our standard initial franchise fee currently is \$35,000, payable when you sign the Franchise Agreement.

Initial franchise fees under Franchise Agreements are fully earned when paid and are not refundable under any circumstances, except as provided in this paragraph. If we determine that you (or your Managing Owner), District Manager and your Restaurant Managers cannot complete initial training to our satisfaction, we may terminate the Franchise Agreement and keep \$25,000 of the initial franchise fee. We will return \$10,000 to you if you sign our required form of release of claims.

We use the initial franchise fee to cover the costs of evaluating your proposed site, and helping you develop and open your Restaurant. We may charge a reasonable fee for the initial brand standard training for you (or your Managing Owner), District Manager or your Restaurant Managers. Additional individuals may attend initial brand standard training if you pay our then current training charge for each additional person.

After you sign the Franchise Agreement, but before you open the Restaurant, we and you will sign our letter agreement for information technology systems services (the “IT Services Agreement”) (Exhibit G-1 or Exhibit G-2) under which we will assist you in acquiring certain components of your Restaurant’s Computer System (defined in Item 11) and setting up the IT system on the Restaurant’s premises. You will pay us between approximately \$63,500 to \$84,400 for certain IT components (including the Habit POS system described in Item 11) and services together with your first royalty payment to us. We will pay a portion of this amount to vendors on your behalf for certain Computer System components. This fee is not refundable.

You must spend at least \$10,000 on a grand opening advertising and promotional program, which you must conduct during the period 15 days before opening through 45 days after. You must submit your plan to us for our approval. If you request our assistance in obtaining your grand opening advertising and promotional materials, and if we agree to do so, then we may pay the vendors directly for your grand opening advertising and promotional materials and you must reimburse us for these costs. These reimbursements are not refundable.

If the Restaurant is the first Habit Burger Restaurant established by you or your affiliates, we will provide necessary on-site pre-opening and opening assistance. You must reimburse us for expenses incurred by our representatives for such opening assistance, such as costs of travel, lodging, meals and wages. If the Restaurant is not your first Habit Burger Restaurant, and either

you request our pre-opening and opening assistance, or we deem such assistance appropriate, we may charge a reasonable fee for our services, in addition to requiring you to pay or reimburse us for any expenses incurred by our employees or representatives.

During fiscal year ending December 27, 2022, the initial franchise fees we received from new franchisees ranged from \$0 to \$35,000.

Area Development Agreement

You must also pay us a “Development Fee” in a lump sum when you sign that Area Development Agreement. The Development Fee is \$10,000 multiplied by the minimum number of Habit Burger Restaurants that you agree to develop under the Schedule. We expect Development Fees to range from \$50,000 to \$250,000. The Development Fee is non-refundable, but we will apply \$10,000 of the Development Fee toward the initial franchise fee owed under each franchise agreement that the Area Development Agreement covers. For each of these franchise agreements, we may require you to sign a form of franchise agreement that is different from the form of franchise agreement included in this franchise disclosure document and that may contain a different initial franchise fee. During fiscal year ending December 27, 2022, the initial development fees we received from new developers ranged from \$60,000 to \$120,000.

Item 6

OTHER FEES

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date⁽²⁾	Remarks
Royalty	5.5% of Gross Sales	Due on 6th business day of each month on Gross Sales during immediately preceding month ²	<p>“Gross Sales” includes all revenues and income from any source that you directly or indirectly derive or receive from, through, by or on account of the operation of the Restaurant (including, without limitation, income related to take-outs, catering operations, digital and online sales including through third-party online ordering and/or delivery aggregators, special events and revenues and income from permitted non-restaurant operations conducted under or using the Marks), whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:</p> <p>(1) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by you in the operation of the Restaurant, and any</p>

			<p>other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority;</p> <p>(2) Tips or gratuities paid directly by Restaurant customers to your employees or paid to you and then turned over by you to such employees in lieu of direct tips or gratuities;</p> <p>(3) Returns to shippers or manufacturers; and</p> <p>(4) Proceeds from isolated sales of trade fixtures not constituting any part of your products and services offered for resale at the Restaurant or having any material effect upon the ongoing operation of the Restaurant required under this Agreement.</p> <p>We may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by us in our sole discretion. The following are included within the definition of "Gross Sales" described except as noted below:</p> <p>(a) The full value of meals furnished to your employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the week in which the meals were furnished for the purpose of determining the amount of Gross Sales upon which Royalty is due; and</p> <p>(b) All proceeds from the sale of coupons, gift cards or vouchers; provided, that at the time such coupons, gift cards or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the week in which such coupon, gift card or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which Royalty is due. If sales proceeds are not recorded and reported for Royalty purposes at the time the coupon, gift card or voucher is sold, or if such</p>
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Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date⁽²⁾	Remarks
			coupons, gift card or vouchers are distributed free of charge, no credit against Gross Sales is permitted upon redemption of such coupon, gift card or voucher.
Technology Fee	Currently, \$525 per month	Due on 6th business day of each month, or as otherwise defined by us	We may be adjust the Technology Fee (including the structure of the Technology Fee (e.g., percentage of sales, flat fee, and/or transaction-based fee)) at any time with 60 days' prior written notice to you.
Advertising Fund	Currently, 1%	Due on 6th day business day of each month on Gross Sales during immediately preceding month ²	We may require a contribution of up to 4.5% of Gross Sales. We may change contribution upon providing reasonable notice to you, not to exceed 30 days. Your total contribution to the Advertising Fund and Local Advertising may not exceed 4.5% of the Restaurant's Gross Sales in a calendar year.
Local Advertising	Currently, 0%	Due on 6th business day of each month on Gross Sales during immediately preceding month ²	We may require a contribution of up to 4.5% of Gross Sales. We may change such contribution upon providing reasonable notice to you, not to exceed 30 days. Your total contribution to the Advertising Fund and Local Advertising may not exceed 4.5% of the Restaurant's Gross Sales in a calendar year.
Merchandise Cost	As invoiced by us or 3 rd party vendor	Upon receiving invoice	We may provide certain merchandising materials to you such as menu panels, point of purchase advertising materials, and other System memorabilia. We or our third-party vendor will invoice you for reasonable costs for such materials.
Merchandise Fund	Currently, 0%	Due on 6th business day of each month ²	As an alternative to payment of Merchandise Cost, we may require a contribution to the Merchandise Fund. We may change the required contribution upon providing 60 days' prior written notice to you.
Initial Training	The reasonable registration or similar fees for courses provided, currently \$500	When training begins	Your Managing Owner, restaurant management personnel and their replacements are required to complete an initial training program, provided by us, prior to the opening date.

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date⁽²⁾	Remarks
	per day plus expenses		
Ongoing Brand Standard Training	The reasonable registration or similar fees for courses provided, currently \$500 per day plus expenses	When training or assistance begins	We may require you (or your Managing Owner) and/or other previously trained and experienced employees to attend and complete satisfactorily various brand standard training courses that we may choose to provide—we may charge you for refresher brand standard training courses; for the annual convention; and for additional or special assistance or brand standard training you need or request. You must pay all travel and living expenses incurred by you and your employees during all training courses and programs.
Transfer	50% of our then current initial franchise fee	Before completion of transfer	None.
Product and Service Purchases	The cost of the products and services purchased. These costs will vary.	As incurred	You will buy products and services from us; our affiliates; designated and approved vendors whose items meet our standards and specifications; and/or other suppliers to the industry
Testing	Costs of Testing	When billed	This covers the costs of testing new products or inspecting new suppliers you propose
Computer Systems, Maintenance, and Support	Currently \$325 per month, but could increase if our costs increase	As incurred	Current fee includes help desk and IT services we provide, and we pay part of this fee to vendors who provide services. We or a third party may charge you a fee for any proprietary software or technology that we, our affiliates or a third party license to you and for other maintenance and support services that we or a third party might provide in the future
Audit	Cost of inspection or audit	15 days after billing	Due if you do not give us reports, supporting records, or other required information or understate required Royalties or the Brand Fee by more than 2%

Column 1	Column 2	Column 3	Column 4
Type of Fee⁽¹⁾	Amount	Due Date⁽²⁾	Remarks
Interest	Lesser of 1.5% per month or highest commercial contract interest rate permitted by applicable law	15 days after billing	Due on all overdue amounts
Late Fees for Records, Reports and Financial Statements	\$2,000	As invoiced by us	If you fail to provide any record, report or other information that is required by the Franchise Agreement, within 15 days of the designated deadline, we may charge you a late fee. A continued failure to provide such information within 30 days of the designated deadline constitutes a material breach of the Franchise Agreement and may result in termination.
Maintenance and Refurbishing of Restaurant	You must reimburse our expenses	15 days after billing	If, after we notify you, you do not undertake efforts to correct deficiencies in the Restaurant's appearance, then we can undertake the repairs and you must reimburse our costs
Insurance	You must reimburse our costs	15 days after billing	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us
Insufficient Funds Processing Fee	\$100	As incurred	Due if you have insufficient funds in your EDTA to cover a payment, or, if you pay by check, a check is returned for insufficient funds
Management Fee	\$500 per person per day (plus costs and expenses)	As incurred	Due when we (or third party) manage the Restaurant after your or your Managing Owner's death or disability or after your breach or abandonment
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due when you do not comply with the Franchise Agreement. May also be due in connection with review and approval of a transfer of interest or other comparable services.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from your Restaurant's operation
Lost Revenue Damages	Will vary depending on circumstances	Upon demand	Upon termination of the Franchise Agreement prior to its expiration, we will charge this fee to cover the amount of damages that we would suffer due to the

Column 1 Type of Fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date ⁽²⁾	Column 4 Remarks
			loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalty, Technology Fee, Merchandise Fund contributions and Advertisement Assessment, that we would have otherwise derived through the remainder of the term of the Franchise Agreement.

1 Except for product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. Unless otherwise noted above, all fees are uniform and non-refundable.

2 Before your Restaurant opens, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty, Brand Fee, and other amounts due under the Franchise Agreement and for your purchases from us and/or our affiliates (the “Electronic Depository Transfer Account” or “EDTA”). We may require payment other than by automatic debit, and you must comply with our payment instructions.

If we are unable to retrieve information via the polling system, then we will notify you and you must provide to us a report showing the Restaurant’s Gross Sales, royalty and any other sales data and/or information we request for the time period we specify and in a format that we specify. If you fail to properly report this data through this alternative method based on the deadlines described above, we may debit your EDTA for 120% of the last Royalty, Technology Fee and Advertisement Assessments that we debited. If the amounts we debit are less than the amounts you actually owe us, we will debit your EDTA for the balance. If the amounts we debit are greater than the amounts you actually owe us, we will credit the excess against the amounts that we otherwise would debit from your EDTA during the following week.

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Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Franchise Agreement

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be made
Initial Franchise Fee (1)	\$35,000	Lump Sum	When you sign the Franchise Agreement	Us
Real Estate/3 Months' Rent (2)	\$36,000 - \$54,000	Installments	Typically monthly	Landlord
Security Deposits (2)	\$15,000	Lump Sum	Typically when lease signed	Landlord
Construction, Remodeling, Leasehold Improvements, and Decorating Costs (3)	\$550,000 - \$725,000	As Agreed	As Incurred	Us and Outside Suppliers
Furniture, Fixtures, Other Fixed Assets, and Equipment (4)	\$540,000 - \$650,000	As Agreed	As Incurred	Us and Various Vendors
Signage	\$70,000 - \$85,000	As Agreed	As Incurred	Approved Vendors
Opening Inventory and Supplies (5)	\$40,000 - \$50,000	As Agreed	As Incurred	Designated and Approved Suppliers
Grand Opening Advertising (6)	\$10,000	As Incurred	As Incurred	Us and Third Parties
Brand Standard Training Expenses (out of pocket costs)	\$60,000 - \$75,000	As Incurred	As Incurred	Third Parties
Miscellaneous Opening Costs (7)	\$20,000 - \$30,000	As Incurred	As Incurred	Third Parties
Additional Funds - 3 months (8)	\$90,000 - \$120,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (9)	\$1,466,000-\$1,849,000			

Explanatory Notes

All amounts listed in the above table are nonrefundable, except that a portion of the initial franchise fee is refundable if we determine that you (or your Managing Owner) cannot complete initial training to our satisfaction and we decide to terminate the Franchise Agreement. Also, the amounts listed above apply to build-to suit end-cap and standalone locations, regardless of whether a location operates a drive-thru.

1. We describe the initial franchise fee in Item 5.
2. A Habit Burger Restaurant occupies approximately 2,200 to 3,000 square feet of space with an additional 200 to 500 square feet of outside patio space. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors and could be considerably higher in large metropolitan areas. Habit Burger Restaurants can be located in strip shopping centers, shopping malls, free-standing units, and other venues in downtown commercial areas and in residential areas. Our strong preference is to source free-standing or end-cap sites, not in-line locations. We anticipate that you will rent the Restaurant's premises. It is possible, however, that you might choose to buy, rather than rent, real estate on which a building suitable for the Restaurant already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular piece of real estate, this initial investment table does not reflect the potential cost of real estate.
3. Leasehold improvement costs, including floor covering, wall treatment, ceilings, painting, window coverings, electrical, carpentry, plumbing, restrooms and similar work, governmental fees and permits, and architect's and contractor's fees, depend on the site's condition, location, and size; the demand for the site among prospective lessees; the site's previous use; and the build-out required to conform the site for your Restaurant. This estimate does not include any construction site work, equipment, or other allowances the landlord grants. You will pay a portion of this amount to us for IT system installation services.
4. This includes items like the kitchen equipment package, tables, chairs, counters, booths, wainscoting, patio furniture, artwork, lighting, the audio and security systems, the components of the Computer System, and office equipment.
5. This includes smallwares, food and beverage products, paper products, cleaning supplies, uniforms, printing and other operating and office supplies.
6. You must spend at least \$10,000 on a grand opening advertising and promotional program, which you must conduct during the period 15 days before opening through 45 days after. You must submit your plan to us for our approval. If you request our assistance in obtaining your grand opening advertising and promotional materials, and if we agree to do so, then we may pay the vendors directly for your grand opening advertising and promotional materials and you must reimburse us for these costs.

7. This includes costs for insurance, professional fees, utility deposits, and other organizational and pre-paid expenses. For example, you must obtain and maintain certain types and amounts of insurance. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents, and other factors bearing on risk exposure.
8. This estimates the funds needed to cover your initial expenses for the first 3 months of operation (other than the items identified separately in the table). It includes payroll costs but not any draw or salary for your owners. This is only an estimate, and you might need additional working capital during the first 3 months you operate your Restaurant and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. Your costs will depend on how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and your Restaurant's sales during the initial period.
9. We relied on THR's and its predecessors' over 50 years of operating Habit Burger Restaurants to compile these estimates. THR's predecessor began operating Habit Burger Restaurants in 1969. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. We strongly recommend you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

Area Development Agreement

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be made
Development Fee (1)	\$50,000 - \$250,000	Lump Sum	When you sign the Area Development Agreement	Us
Additional Funds - 3 months (1)	\$2,000-\$25,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (1)	\$52,000 - \$275,000			

1. Except for the Development Fee, which we expect will range from \$50,000 to \$250,000, and about \$2,000 to \$25,000 in working capital to cover the costs to begin looking for sites in the Development Area, business plan preparation and expenses, there is no additional initial investment for brand standard training, real property, equipment, fixtures, other fixed

assets, construction, remodeling, leasehold improvements, decorating costs, inventory, security deposits, utility deposits or business licenses required under the Area Development Agreement. No part of this initial investment is refundable.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

Approved Products, Distributors and Suppliers. You must operate the Restaurant according to our mandatory and suggested specifications, standards, operating procedures and rules that we periodically specify for operating a Habit Burger Restaurant (the “System Standards”). System Standards may regulate, among other things, the types, models, and brands of fixtures, furniture, equipment, furnishings, and signs (collectively, “Operating Assets”); products and supplies you must use in operating the Restaurant; unauthorized and prohibited food products, beverages, and services; inventory requirements; and designated and approved suppliers of Operating Assets, Trade Secret Food Products and other items.

In the case of Trade Secret Food Products, suppliers will be limited to us, our affiliates, and/or other specified exclusive sources, and you must buy Trade Secret Food Products during the franchise term only from us, our affiliates, and/or the other specified exclusive sources at the prices we and they decide to charge. We restrict your sources of Trade Secret Food Products in order to protect our trade secrets, assure quality, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items. Neither we nor our affiliates currently sell Trade Secret Food Products to franchisees, but we reserve the right to do so in the future.

In the case of the Computer System and related installation and set-up services, Operating Assets and items other than Trade Secret Food Products, suppliers could, at our option, be limited to us, our affiliates, and/or other specified exclusive sources, in which case you would have to buy the Computer System, related services, Operating Assets and other items only from us, our affiliates, and/or the other specified exclusive sources at the prices we or they decide to charge. We have the absolute right to limit the suppliers with whom you may deal. Currently, we are the sole provider of IT, help desk and related services, otherwise we and our affiliates currently are not approved suppliers of Operating Assets, Trade Secret Food Products or any other items. There are currently no suppliers in which any of our officers owns an interest.

To maintain the quality of the goods and services that Habit Burger Restaurants sell and our system’s reputation, we may condition your right to buy or lease goods and/or services (besides those described above that you may obtain only from us, our affiliates, and/or other specified exclusive sources) on their meeting our minimum standards and specifications and/or being acquired from suppliers that we approve. We will issue and modify standards and specifications based on our, THR’s, and our franchise owners’ experience in operating Habit Burger Restaurants. Our standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our Operations Manuals or other

communications will identify our standards and specifications. We will notify you and, where appropriate, the suppliers, of our standards and specifications. There might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier.

If you would like to purchase, lease or use any products or other items from an unapproved supplier or distributor, you must submit to us a written request for approval of the proposed supplier or distributor. (Alternatively, the proposed supplier or distributor may submit its own request.) We have the right to inspect the proposed supplier's or distributor's facilities, and to require product samples from the proposed supplier or distributor to be delivered either directly to us or to any independent, certified laboratory which we designate for testing. Either you or the proposed supplier or distributor must pay us a fee (which will not exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We will notify you of our decision to approve or disapprove your request for approval of a proposed supplier within a reasonable time after we receive your written request, typically within 30 to 45 days after receiving all other information we request and completing any inspection we deem appropriate. We reserve the right to periodically re-inspect the facilities and products of any approved supplier or distributor and to revoke our approval by notifying the supplier and you in writing if the supplier or distributor does not continue to meet any of our criteria. We also reserve the right to charge manufacturers or suppliers a royalty for the right to manufacture products for use in a Habit Burger Restaurant. We may limit the number of approved suppliers and/or distributors with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliates) for a particular item or service or if we believe that doing so is in the best interest of the Habit Burger Restaurant network.

Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, and/or a supplier's willingness to pay us, THR and/or our system for the right to do business with our system. We, THR, YUM and any other affiliate may receive payments or other material consideration from suppliers on account of their actual or prospective dealings with you and other franchise owners, but we currently intend to either pass on those amounts to you on a basis we determine or use those amounts for marketing purposes. Supplier approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure that the supplier meets our standards.

Insurance. Besides these purchases or leases, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require in the Operations Manual and satisfy other insurance-related obligations. You currently must have comprehensive general liability insurance, motor vehicle liability insurance, comprehensive public liability coverage, personal injury coverage, product liability coverage, property damage insurance, worker's compensation insurance as required by law, and any other coverage required by law or your lease. Premiums depend on the insurance carrier's charges, terms of payment, and your history. All insurance policies must name us and our affiliates as an additional insured party.

Online Ordering, Catering and Delivery Programs. We require you to participate in any online ordering, off premises catering and/or delivery program, phone ordering, third-party delivery providers, we develop applicable to your Restaurant.

Coupons, Certificates and Vouchers. We require you to participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention program that we (or our affiliates) implement, at your expense, for all or part of our franchise system. Without limitation, you must honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Habit Burger Restaurants and will utilize a vendor approved by us for gift card processing. You may not offer any coupon without our prior written approval.

Advertising Materials. Before you use them, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved during the 12 month period immediately preceding their proposed use. We will approve or disapprove the samples within 20 days after we receive the materials. If we do not respond within 20 days following our receipt of your proposed advertising plans or materials, then the proposed advertising plans or materials will be deemed to be disapproved by us. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

Restaurant Development. You are responsible for developing the Restaurant. We will give you mandatory and suggested specifications and layouts for a Habit Burger Restaurant, including requirements for dimensions, design, image, interior layout, decor, Operating Assets, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. You will be responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the Premises. Before beginning construction of the Restaurant, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Restaurant, and (ii) certify in writing to us that they have been obtained. Throughout the term of this Agreement, including any renewal term, you must maintain all such licenses and/or governmental approvals. You will adapt the specifications and layouts provided by us as necessary for the construction of the Restaurant and will submit such adapted plans to us for review within 15 days after you buy or lease the Premises. If we object to the plans, we must provide you with a reasonably detailed list of the changes needed to make the plans consistent with System Standards. Our review is only to ensure your compliance with our design requirements. We may inspect the Restaurant during its development. We will not be responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor will we be responsible for any errors, omissions, or discrepancies of any nature in the plans.

You must promptly commence and diligently pursue construction of the Restaurant. During construction, you must provide us with such periodic progress reports as we may reasonably request. In addition, we will make such on-site inspections as we may deem reasonably necessary to evaluate such progress. You must notify us of the scheduled date for completion of

construction no later than 45 days prior to such date. Within a reasonable time after the date construction is completed, we will, at our option, conduct an inspection of the completed Restaurant. You must not open the Restaurant for business without our written authorization, which authorization will be conditioned upon your strict compliance with this Agreement.

Restaurant Site. The Restaurant must be at a site that we approve. We have the right to approve the lease or sublease for the Premises and to require that it include certain provisions or that you and the landlord sign our Lease Addendum Terms attached to the Franchise Agreement (Exhibit D of the Franchise Agreement), including our right to the Premises if the franchise is terminated or not renewed or if you lose possession because of your default under the lease. We also have approval rights to the proposed purchase agreement should you choose to buy the Premises.

We and/or our affiliates may derive revenue or other material consideration based on your purchases and leases, including from charging you for products and services that we or our affiliates provide to you in the future and from promotional allowances, volume discounts and other payments that designated, approved or recommended suppliers make to us and our affiliates. Based on our audited financial statements, we derived approximately \$767,358 during 2022 from providing certain IT components (including the Habit POS system described in Item 11) and certain IT services to franchisees under our IT Services Agreements, which is approximately 12.6% of our total revenue of approximately \$6,110,870 during 2022. As we describe in Item 1, we subsequently pay a portion of this amount to vendors on behalf of our franchisees for certain Computer System components.

Neither we nor our affiliates have received any rebates or other payments from designated or approved suppliers on account of franchisee purchases or leases of required and approved items from those suppliers, but we reserve the right to do so in the future.

Collectively, the purchases and leases that you must make from designated or approved suppliers, or according to our standards and specifications, represent approximately 50% of your overall purchases and leases in establishing the Restaurant and 90% of your overall purchases and leases in operating the Restaurant. There currently are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms). We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based on their purchase of particular products or services or use of particular suppliers.

Periodic Remodel. We may require you to, not more often than once every 7 years during the Term, remodel and refurbish the Restaurant and upgrade the Restaurant's assets at your expense to conform to the then-current System Standards, which may include without limitation, remodeling, redecoration, structural changes, and modifications to existing improvements and equipment. We also retain the right at any time and with any frequency in our sole discretion to adopt and impose new System Standards requiring improvements to your Restaurant including new equipment and new technology, which may require certain limited structural alterations and/or accommodations.

Area Development Agreement

The Area Development Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or comparable items related to establishing or operating your business under the Area Development Agreement. However, you must give us information and materials we request concerning each site for a Habit Burger Restaurant so that we can assess that site which is subject to our approval.

Item 9

FRANCHISEE’S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 4.C, D and E of Area Development Agreement and Section 2 of the Franchise Agreement	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Sections 2.A, 2.B, 2.C and 2.D and 8 of Franchise Agreement and IT Services Agreement	Items 5, 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 2 of Franchise Agreement and IT Services Agreement	Items 5, 7, 8, and 11
d. Initial and ongoing training	Sections 4 of Franchise Agreement	Items 6, 7, and 11
e. Opening	Section 2, 4 and 9.A of Franchise Agreement	Item 11
f. Fees	Sections 1.E, 3, 4, 8, 9, 10, 11, 12, 14, 15, 16.C, and 17 of Franchise Agreement, Section 5 of the Area Development Agreement and IT Services Agreement	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Sections 2, 4, 8, 9, 10, 11, 12, 13, 14 16, 18 and 19 of Franchise Agreement	Items 8, 11 and 14
h. Trademarks and proprietary information	Sections 5, 6 and 14.B of Franchise Agreement and Sections 6, 8, 9 and 10 of the Area Development Agreement	Items 13 and 14

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
i. Restrictions on products/services offered	Sections 1.D and 8 of Franchise Agreement	Items 8, 11, 12, and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Sections 3, 4 and Exhibit A to the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 8 of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Sections 2, 8 and 12.C of Franchise Agreement	Items 6, 8, 11, and 17
n. Insurance	Section 8.I of Franchise Agreement and Section 10 of the Area Development Agreement	Items 6, 7 and 8
o. Advertising	Section 9 of Franchise Agreement	Items 6, 7, 8, and 11
p. Indemnification	Section 15.D of Franchise Agreement and Section 10 of the Area Development Agreement	Item 6
q. Owner's participation/management/staffing	Sections 8.H of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement	Item 11
s. Inspections and audits	Section 11 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 12 of Franchise Agreement and Section 7 of the Area Development Agreement	Item 17
u. Renewal	Section 1.E of Franchise Agreement	Item 17
v. Post-termination obligations	Section 14 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 7 and 14.D of Franchise Agreement and Section 10 of Area Development Agreement	Items 15 and 17
x. Dispute resolution	Sections 16.B, C, E, F, G, H, I, J, K and N of Franchise Agreement and Section 10 of the Area Development Agreement	Item 17

Item 10

FINANCING

Except as described below, we do not offer, directly or indirectly, any arrangements for financing your initial investment or the continuing operation of your Habit Burger Restaurant. We are unable to predict whether you can obtain financing for any part or all of your investment; and, if you are able to obtain financing, we cannot predict the terms of the financing. Except as described below, neither we nor YUM guarantees your note, lease or other obligation.

YUM Lending Assistance for Qualified Franchisee Applicants

YUM has entered into an arrangement with a third-party, LS BDC Adviser, LLC, an affiliate of Lafayette Square Holding Company, LLC (“**Lender**”), where Lender (through one or more of its managed or advised funds) may provide financing to qualified franchisee applicants, including low-to moderate income individuals in underserved American communities. This arrangement is open to all eligible applicants regardless of race, color, national origin, sex, disability, or age. Under this arrangement, we will refer franchisee candidates to Lender and Lender will independently evaluate each candidate for one or more available credit products based on Lender’s then prevailing underwriting guidelines. The financing covers acquisition, refinancing and related costs of a franchised outlet. The credit products will be term loans (including delayed-draw term loans) and revolving loans. Lender will evaluate, underwrite, and approve candidates. As a further incentive to Lender to extend credit to franchisee candidates referred by YUM to Lender, YUM may provide credit support in the form of limited guaranties. If YUM will provide credit support, then you, Lender, and YUM will sign a letter agreement in the form attached as Exhibit G-3 in connection with which YUM will guaranty for the benefit of Lender up to 33% of the original principal or commitment amount of your franchised business loan (up to a maximum guaranty amount of \$5,000,000). It is not YUM’s general practice or intent to sell or assign the letter agreement.

If you are offered and accept financing from Lender as described above, you are required to agree to the terms of financing with Lender, including the amount of the loan, the interest rate, finance charges, the repayment term, and any prepayment terms. Under the franchisee financing arrangement with Lender, neither we nor YUM nor any of our affiliates are entitled to receive, and do not receive, any fee or other consideration from Lender when it makes a loan to a franchisee. Lender is not restricted under the arrangement from selling or assigning to an affiliate all or any part of any loan it makes to you.

Required Terms

In addition to the above, the following terms would apply:

- The franchisee must notify YUM within three days if the loan is more than thirty days past due.
- In the event of a default under the loan, Lender may accelerate the obligation to pay the entire principal balance plus interest and costs (including attorneys’ fees), and YUM (or its

designee) will have the right, but not the obligation, to buy out any franchisee loan at any time for the then-outstanding principal balance of the loan plus the accrued interest and related fees.

- Franchisee is not required to make payments to YUM under the letter agreement unless YUM makes a payment to Lender under the guaranty, following which franchisee must reimburse YUM for all payments made by YUM to Lender and all related costs and expenses incurred by YUM.
- You are not required to grant a security interest under the letter agreement, but if YUM purchases the loan following an event of default any security interest granted to Lender will be transferred to Yum (or its designee).
- In the event of a default under the loan or letter agreement, we will have the right to terminate the Franchise Agreement and the Development Agreement.
- The guaranty signed by your owners in connection with the letter agreement provides for a waiver of diligence, presentment, demand, protest, and notice of non-payment, protest, and suit.

In addition to YUM's arrangement with Lender, YUM may provide similar lending assistance to qualified franchisee applicants who receive financing from other lenders.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Obligations Under Franchise Agreement

Before you open the Restaurant, we will:

1. Give you mandatory and suggested specifications and layouts for a Habit Burger Restaurant, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. We do not anticipate a situation where we would own the site and lease it to you for your operation of the Restaurant. (Franchise Agreement – Section 2).
2. As discussed in Item 8, identify the Operating Assets, Trade Secret Food Products, other food products, and supplies that you must use to develop and operate the Restaurant, the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items (which may be limited to and/or include us, our affiliates, and/or other specified exclusive sources). Except for certain Computer System components and IT system installation services, we generally do not provide products or services directly or deliver or install any items. (Franchise Agreement – Sections 2 and 8).
3. Provide you access to the Operations Manuals and brand standard training documents, the current table of contents of which is included in Exhibit D. As of the date of this disclosure

document, the Operations Manuals contains a series of workbooks that vary in length by position. Any materials, guidance or assistance that we provide on employment-related policies or procedures, whether in the Operations Manuals or otherwise, are solely for your optional use. Those materials, guidance and assistance do not form part of our mandatory System Standards. You will determine to what extent, if any, these materials, guidance or assistance should apply to the Restaurant's employees. We do not dictate or control labor or employment matters for franchisees and their employees. You are solely responsible for determining the terms and conditions of employment for all Restaurant employees (including your managers), for all decisions concerning the hiring, firing, promotion, demotion and discipline of Restaurant employees, and for all other aspects of the Restaurant's labor relations and employment practices. Currently, the Operations Manuals contain 346 pages. (Franchise Agreement – Section 4.D).

4. Train you (or your Managing Owner), District Manager and your Restaurant Managers on our brand standards. (Franchise Agreement – Section 4) We describe this brand standard training later in this Item.
5. Coordinate the purchase of certain Computer System components for your Restaurant and provide system installation services. (Franchise Agreement - Section 8 and IT Services Agreement).

During your operation of the Restaurant, we will:

1. Send our representatives to the Restaurant to assist with the Restaurant's opening. (Franchise Agreement – Section 4.A.)
2. Advise you regarding the Restaurant's operation based on your reports or our inspections. We also will guide you on standards, specifications, and operating procedures and methods that Habit Burger Restaurants use; purchasing required and authorized Operating Assets, Trade Secret Food Products, and other items and arranging for their distribution to you; advertising and marketing materials and programs; employee training on issues relating to brand standards (although you are responsible for training your employees, subject to the training programs we describe later in this Item); and administrative, bookkeeping, accounting, and inventory control procedures. We will guide you in our Operations Manuals and brand standard training documents, bulletins, or other written materials; by electronic media; by telephone consultation; and/or at our office or the Restaurant. (Franchise Agreement – Section 4.C. and 4.D.)
3. Give you, at your request (and our option), additional or special guidance, assistance, and training relating to brand standards. (Franchise Agreement – Section 4.)
4. Continue to provide you access to the Operations Manuals and brand standard training documents in paper or electronic form, which could include audiotapes, videotapes, compact disks, computer software, and/or electronic media. The Operations Manuals contain the System Standards that we periodically require. We may modify the Operations Manuals periodically to reflect changes in System Standards. (Franchise Agreement – Sections 4.D. and 8.)

5. Issue and modify System Standards for Habit Burger Restaurants. We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may require you to invest additional capital in the Restaurant and/or incur higher operating costs. (Franchise Agreement – Section 8.)
6. Provide help desk and other IT system services relating to the Restaurant’s Computer System. (IT Services Agreement)
7. Inspect the Restaurant and observe its operation to help you comply with the Franchise Agreement and all System Standards. (Franchise Agreement – Section 11.A.)
8. Let you use our confidential information. (Franchise Agreement – Section 6)
9. Let you use our Marks. (Franchise Agreement – Section 5)
10. Periodically offer refresher brand standard training courses. (Franchise Agreement – Section 4.A.)

Advertising

Grand Opening Expenses. You must spend at least \$10,000 on a grand opening advertising and promotional program (“Grand Opening Expenses”). We must approve your plan for the program. You must submit receipts and other evidence confirming such expenditures following completion of the program. A lower expenditure may be acceptable upon approval from our Marketing Department.

Advertising Fund. We have established and currently administer a Fund to produce advertising, marketing, and public relations programs and materials we deem appropriate for the System. You must contribute to the Fund the required percentage of the Restaurant’s Gross Sales, payable in the same manner as the Royalty. We may modify your required contribution to the fund upon reasonable notice to you, that need not exceed 30 days, if we determine that such modification is reflective of the amounts that Habit Burger Restaurants that we or our affiliates own spend on advertising and development. Currently we and our affiliates contribute to the Fund on the same basis as franchisees.

We have the right to collect for deposit into the Fund any advertising or marketing allowances paid to us by suppliers who deal with Habit Burger Restaurants and with whom we have agreed that we will so deposit these allowances.

We will direct all advertising production programs and will have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs. The Fund may pay for any and all costs of maintaining, administering, directing, preparing, and producing advertising, including, but not limited to, the cost of preparing and producing television, radio, magazine and newspaper advertising campaigns; the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; consumer and product research; the cost of developing and maintaining digital advertising (including internet website and social media platforms); and personnel and other departmental costs for advertising that we

internally administer or prepare. The Fund will be operated solely as a conduit for collecting and spending advertising contributions for the System. Your contributions will not be used to defray any of our general operating expenses, except for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund. The Fund and its earnings will not otherwise inure to our benefit. The Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, on the internet, and/or through social media websites (such as Facebook and Twitter), whatever we think best.

We will prepare an annual unaudited statement of the Fund's operations and will make it available to you upon request. During 2022, the Fund spent 8% on media production, 62% on media placement, 2% on consumer PR activation, 7% on merchandising development, 10% on administrative expenses, and 11% on brand development. We do not intend for the Fund to be audited, but we may have the Fund audited periodically at the Fund's expense by an independent accountant we select.

In administering the Fund, we undertake no obligation to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the production of advertising.

Although the Fund is intended to be of perpetual duration, we may terminate it. We will not terminate the Fund, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions. We may at any time defer or reduce contributions of a Habit Burger Restaurant franchise owner and, upon 30 days' prior written notice to you, reduce or suspend contributions to the Fund and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their, and our, respective Fund contributions during the preceding 12-month period.

Your Local Advertising. In addition, we may require you to spend a required percentage of the Restaurant's Gross Sales on local advertising. Currently, you are not required to spend a set percentage of the Restaurant's Gross Sales on local advertising. When required, this amount must be spent on advertising for your Restaurant in the local market area and within 15 days following the end of each calendar quarter, you must submit a quarterly advertising expenditure report to us, accurately reflecting such local advertising expenditures for the preceding quarter. The following expenses cannot be included within your local advertising spending, unless we first approve them in writing:

- (1) Incentive programs for your employees or agents, including the cost of honoring any discounts or coupons, and salaries and expenses of any of your employees,
- (2) Non-media costs incurred in any promotion;
- (3) Charitable, political or other contributions or donations;
- (4) In-store materials consisting of fixtures or equipment;
- (5) The cost of local business listings in printed or internet media; and

(6) Grand Opening Expenses.

You will place and pay the cost of business listings in such directories and categories as may be specified by us from time to time in the Operations Manuals or otherwise in writing. Amounts paid for business listings will not be credited toward any other of your advertisement obligations.

Upon reasonable written notice to you, not to exceed 30 days, we may vary the amount that you are required to spend for local advertising or as a Fund contribution, provided, that in no event will the total of such contribution exceed 4.5% of the Restaurant's Gross Sales in a calendar year.

All advertising and promotion conducted by you in any medium must be conducted in a dignified manner and must conform to our standards and specifications. You must obtain our approval of all advertising and promotional plans and materials, including, without limitation, those placed online, prior to use if such plans and materials have not been prepared or previously approved by us during the 12 month period immediately preceding their proposed use. You must submit any unapproved plans and materials to us, and we will approve or disapprove such plans and materials within 20 days after receiving them. If we do not respond within 20 business days following our receipt of your proposed advertising plans or materials, then the proposed advertising plans or materials will be deemed to be disapproved by us. You must not use any unapproved plans or materials until they have been approved by us, and must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us. (Franchise Agreement – Section 9).

Merchandise Materials.

We may, from time to time provide to you certain merchandising materials identifying the System and to support national promotions, such as menu panels, point of purchase advertising materials, and System memorabilia. You will be required to pay the cost for these materials. Alternatively, we may establish a Merchandise Fund that will be used to defray our costs of creating and producing such merchandise for all Habit Burger franchisees. You must contribute the then required amount to the Merchandise Fund. We may modify such contributions upon giving you a 60 day prior written notice.

Computer System

You must obtain and use any computer hardware and/or software we specify, which currently includes a computer based point-of-sale cash register system (the "Computer System") currently comprised of POS Terminals, guest display, magnetic swipe readers, cash drawers, tablets, scanners, kiosks, credit card payment devices, thermal printers, remote printers, personal computer, Microsoft Office, email, firewall, antivirus protection, kitchen video system, pagers and business class broadband Internet connectivity. We estimate that your purchase of the Computer System will cost between \$63,500 to \$68,400 for Habit Burger Restaurants without a drive-thru and \$80,500 to \$84,400 for Habit Burger Restaurants with a drive-thru. This includes the installation and purchase of two kiosks; additional kiosks can be purchased. Our current approved POS solution is Habit POS, and you must purchase that Habit POS system through us. The Computer System will generate and store menu mixes, daily sales reports, labor reports,

void/comp/discount management information, emails, comparative reports, management alerts and will track sales trends and will collect, track and analyze sales, payment, labor, gift card, frequency programs and other operations-related data. You are required to accept and participate in our Gift Card program and all of its components and requirements. We currently use a third party vendor and you will be required to pay a monthly fee as well as a fee per swipe of the gift card. The Computer Systems must permit 24 hours per day, 7 days per week, electronic communications between us and you. We will have unlimited independent access to all of the information and data in the Computer System. All information contained in and collected by any such computer program (including, but not limited to, information pertaining to customers of the Restaurant) will be our sole and exclusive property. We may from time to time adjust requirements pertaining to capturing and relaying to us customer information and data. You also maintain a functioning e-mail address that you must provide to us.

We will coordinate your purchase of some items or all items, and provide some set-up or installation and ongoing services for your Restaurant's IT system (which may include project management service fees). We may modify specifications for and components of the Computer System, polling software and online management tools. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over the Franchise Agreement's remaining term, you must incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support, which might include fees payable to us and/or our affiliates. We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you must obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly.

We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the Franchise Agreement's term.

Despite the fact that you must buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, coordination, installation, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. (Franchise Agreement – Section 8.B and IT Services Agreement). Currently, the cost of a contract covering basic maintenance, repairs, updates, upgrades, and/or support is covered in your monthly IT fees.

Since the protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System you must maintain the computer

systems at the Restaurant such that they meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards (“PCI DSS”) council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy, cybersecurity and protection of credit card information, including but not limited to the Fair and Accurate Credit Transaction Act (“FACTA”) and all other successor or additional laws, and all other data security requirements we prescribe. You are solely responsible for educating yourself as to these regulations and standards and for achieving and maintaining applicable compliance certifications.

You need not buy or use any additional computer system to operate under the Area Development Agreement.

Opening

If you sign an Area Development Agreement with us, you will begin looking for sites as soon as you sign it. We estimate that it will be 180 to 365 days after you sign the Franchise Agreement before you open the Restaurant. If you intend to buy the Premises, then not later than 20 business days prior to the proposed date of execution of the purchase agreement, you must submit a copy of the proposed purchase agreement to us for our written approval. If we do not communicate our approval or disapproval within 20 business days, then the proposed purchase agreement will be considered disapproved by us. You must furnish a copy of the executed purchase agreement to us within 10 business days of execution. Similarly, if you plan to occupy the Premises under a Lease, you must submit your proposed lease agreement to us for our review no later than 20 business days prior to the proposed date of execution and must provide a copy of the executed lease agreement to us within 10 days of execution. We may not approve any lease agreement that does not contain terms contained in the “Lease Terms Addendum” attached as an exhibit to the Franchise Agreement. If we do not communicate our approval or disapproval of a proposed lease agreement to you within 20 business days of your providing the proposed lease agreement to us, and if the lease agreement contains the provisions of the “Lease Terms Addendum”, then the proposed lease agreement will be considered approved by us.

You must buy the Premises or sign the lease on or before the site commitment date, which will be a date that we specify in the Area Development Agreement, typically 90 days after we approve a site. The specific timetable for opening depends on the site’s condition; the Restaurant’s construction schedule; the extent to which you must upgrade or remodel an existing location; the delivery schedule for equipment and supplies; completing training; and complying with local laws and regulations. You may not open the Restaurant until: (1) we notify you in writing that the Restaurant meets our standards and specifications; (2) you (or your Managing Owner) complete initial training to our satisfaction; (3) you pay any amounts then due to us; and (4) you give us certificates for all required insurance policies. Subject to these conditions, you must open the Restaurant within 365 days after the Franchise Agreement’s effective date; or in any case no later than the opening date of the site as per the development schedule on Exhibit C of the Area Development Agreement. (Franchise Agreement – Section 2.D.)

Brand Standard Training

If this is your first Habit Burger Restaurant, or until you have a certified training store, then before the Restaurant opens, we will train you, your Managing Owner, District Manager and your Restaurant Managers (which we expect to include an assistant manager and a kitchen manager who oversees “back-of-house” operations) on managing and operating a Habit Burger Restaurant and on issues relating to brand standards (although you are responsible for training your employees, subject to the training programs we describe later in this Item). We currently provide approximately 10 to 20 weeks of brand standard training (although the specific number of days depends on our opinion of your experience and needs and may change). This initial brand standard training may be as long as 20 weeks for you, your Managing Owner, your District Managers and your Restaurant Managers, and 10 weeks for your assistant managers, or longer if specified by our then current training standards. A minimum of 6 managers, including you, your Managing Owner, your District Manager, Restaurant Managers and other personnel as designated by us, must be trained during the initial brand standard training and prior to opening the Restaurant. We will use the Operations Manuals and brand standard training documents and various instructional materials as we conduct the initial brand standard training program, which may include videos, web-based training and handouts (such as our recipe book, training guides, food photo deck, order book, operational tours binder and safety manual). We will also use various “Train-the-Trainer” instructional materials. If you (or your Managing Owner), District Manager and your Restaurant Managers cannot complete initial brand standard training to our satisfaction, we may terminate the Franchise Agreement and may refund you a portion of the initial franchise fee. We may charge a reasonable fee for such training. (Franchise Agreement – Section 4.A.)

Additional people beyond you, your Managing Owner, District Manager and Restaurant Managers may attend initial brand standard training if you pay our then current training charge for each additional person. You also must pay for all travel and living expenses that you and your employees incur and for your employees’ wages and workers’ compensation insurance while they train at operating Habit Burger Restaurants.

Brand standard training will occur within a reasonable time after you sign the Franchise Agreement and while you are developing the Restaurant. At least 2 of your Restaurant Managers must complete initial brand standard training to our satisfaction at least 1 month before you may open your Restaurant. The remaining trainees must complete initial brand standard training before the Restaurant opens. We plan to be flexible in scheduling brand standard training to accommodate our personnel, you, and your personnel. As of the date of this disclosure document, we provide the following initial management brand standard training:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Back of House Training All cook position responsibilities are trained in addition to food ordering and quality control	All position and management training including “classroom” occurs concurrently at the Training Store (see column 3)	150	A designated training facility of our choice in California or another location we designate, which may include a Habit Burger Restaurant owned by THR or an affiliate
(Front of House) training All cashier & expediter responsibilities are trained in addition to opening, mid-shift and closing manager responsibilities	All position and management training including “classroom” occurs concurrently at the Training Store (see column 3)	150	A designated training facility of our choice in California or another location we designate, which may include a Habit Burger Restaurant owned by THR or an affiliate
Assignment Weeks (opening, mid-shift & closing manager responsibilities). Trainees apply all skills trained while running a complete week’s shifts under direct supervision of trainers	All position and management training including “classroom” occurs concurrently at the Training Store (see column 3)	200	A designated training facility of our choice in California or another location we designate, which may include a Habit Burger Restaurant owned by THR or an affiliate
Total Hours	All position and management training including “classroom” occurs concurrently at the Training Store (see column 3)	500	

The initial management brand standard training program will be conducted at a designated training facility of our choice in California or another location we designate and/or at an operating Habit Burger Restaurant.

Our parent company’s other employees (such as the Team Lead Coordinator, Director of Operational Services, and District Kitchen Managers) also may assist with brand standard training, and we expect that they generally will have at least 1 to 12 years’ experience in their appropriate subject areas. We plan to hold our brand standard training programs on an as needed basis. All brand standard training is supervised by Cheryl Thompson, our Director of Learning and Development. Ms. Thompson has been with us since 2016 and has worked in the restaurant industry since 2007. You (or your Managing Owner), District Manager or Restaurant Managers who attended initial brand standard training may request additional brand standard training at the end of initial brand standard training if you do not feel sufficiently trained in the management and operation of a Habit Burger Restaurant. We may charge a reasonable fee for this additional brand

standard training, and you must pay all related costs and expenses incurred by each attendee. We will jointly determine the duration of this additional brand standard training.

When the Restaurant is ready to open, we may, at our cost, send our representative(s) to the Restaurant to assist with the opening. You also must complete this phase of brand standard training to our satisfaction.

You (or your Managing Owner), and/or other previously trained and experienced employees must attend and complete to our satisfaction various brand standard training courses that we periodically provide at the times and locations we designate. We will not require attendance for more than a total of 4 days during a calendar year. Besides attending these courses, you must attend an annual meeting of all franchise owners at a location we designate. You are responsible for all related travel and living expenses and wages incurred in connection with attending these courses and meetings.

We may require Restaurant Managers (other than those specified above) to complete initial and ongoing brand standard training programs to our satisfaction at a location chosen by us. The Restaurant must be managed by not less than 5 managers, including a kitchen manager, who have successfully completed our management training program(s) and have received the ServSafe® Manager certification and who have responsibility for the day to day management of all operations of the Restaurant. You must ensure that each of these trained managers devotes all of their full working time to on-site management responsibilities at the Restaurant during operating hours, with at least one manager remaining on-site at all times during the Restaurant's operating hours. Each and every shift must have a manager in charge that is certified and trained in our initial training program and is ServSafe® Manager certified.

We may charge you a fee for training these employees on our brand standard. You are responsible for all related travel and living expenses and wages incurred in connection with attending these brand standard training programs.

You must also assist us in training other Habit Burger Restaurant franchise owners. We will reimburse your pre-agreed out-of-pocket expenses for providing this service.

Obligations Under Area Development Agreement

Before you begin operating under the Area Development Agreement, we will:

1. Determine the Area (defined in Item 12) within which you will look for Habit Burger Restaurant sites. (Area Development Agreement – Sections 2, 3 and Exhibit A).
2. Determine the mandatory development Schedule for your Habit Burger Restaurants. (Area Development Agreement – Section 4.A and Exhibit C).

During your operation under that Area Development Agreement, we will:

1. Approve or disapprove a proposed site within 30 business days after receiving all requested information and materials. (Area Development Agreement – Section 4.D).

2. Give you our site selection criteria for a Restaurant. The site must meet our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and the nature of other businesses; size; appearance; and other physical and commercial characteristics. We will approve or disapprove a location you propose within 30 business days after receiving your description of, and evidence confirming your favorable prospects for obtaining, the proposed site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. If we do not approve your location, we and you will not sign a franchise agreement. We do not anticipate a situation where we would own the site and lease it to you for your operation of the Restaurant. We will determine or approve the location of future Restaurants using our then-current standards for sites. (Area Development Agreement – Section 4.C).
3. Review your Restaurant’s lease to ensure it includes certain provisions required by us. You must sign a lease for the premises on or before the applicable “Date By Which Franchise Agreement Must Be Signed” that we designate in the Area Development Agreement for each Restaurant. (Area Development Agreement - Section 4.D. and Section 4.E).
4. Grant you franchises to operate Habit Burger Restaurants at approved sites in the Area. You must sign our then current form of franchise agreement and related documents for each Habit Burger Restaurant, the terms of which may differ substantially from those in the Franchise Agreement attached to this disclosure document. (Area Development Agreement – Section 4.A).

Item 12

TERRITORY

Franchise Agreement

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

You will operate the Restaurant at a site approved by us. You may operate the Restaurant only at the approved site and may not relocate the site without our approval. Whether or not we would allow relocation depends on the circumstances at the time and what is in the Restaurant’s and our system’s best interests based on factors such as population density, character of neighborhood, location and number of competing businesses and other factors.

We do not grant any exclusive area, exclusive territorial rights, protected area, or any right to exclude, control, or impose conditions on the location or development of existing or future Habit Burger Restaurants. You have no options, rights of first refusal, or similar rights to acquire additional franchises. In addition, we, our affiliates, other franchisees or licensees may distribute Menu Items utilizing other channels of distribution (including mail order catalogs, non-traditional locations, food-trucks, take-away premises, online networks, and other permanent, temporary or

seasonal food service facilities, grocery stores, carts or kiosks) using our Marks or competitive brands owned or controlled by our affiliates, without regard to the competitive impact on your Restaurant.

We and our affiliates have and retain all rights except those expressly granted to you. Accordingly, we, our affiliates, and any other authorized person or entity will have the right, among others, (i) to develop and establish other business systems using the Marks, or other names or marks, and to grant licenses to use those systems without providing any rights to you, (ii) to advertise and promote the System anywhere, (iii) to operate, and license others to operate, Habit Burger Restaurants at any location, including locations that are adjacent to your Restaurant, and (iv) directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all food, beverages, or other services and products, under the Marks, or under other names or marks, through any method of distribution, including, but not limited to, mail order catalogs, non-traditional locations, food trucks, take-away premises, online networks, and other permanent, temporary or seasonal food service facilities, grocery stores, carts or kiosks (which facilities may provide, in whole or in part, the products and services offered by a Habit Burger Restaurant) regardless of the proximity to, or the competitive impact on, your Restaurant.

As disclosed in Item 1, our affiliates currently operate and also offer franchises/licenses to operate other food-service businesses including other fast-casual restaurant brands (collectively, the “Affiliate Businesses”). Our affiliate KFCLLC operates and offers franchises/licenses to operate restaurants that specialize in quick-service chicken with side dishes, utilizing the “KFC” and other similar trademarks while our affiliate TBLLC operates and offers franchises/licenses to operate restaurants offering Mexican-style food under the “Taco Bell” and other similar trademarks. Similarly, our affiliate PHLLC operates and offers franchises/licenses for traditional and non-traditional restaurants under the “Pizza Hut” and other similar trademarks. None of the Affiliate Businesses utilize any of the Marks listed in Item 13. Due to the differences in the restaurant offerings for the Affiliate Businesses, we do not anticipate any conflicts between the franchisor and franchisees and between the franchisees of our system and those of the Affiliate Businesses regarding territory, customers, and franchisor support. However, we have no formal system to resolve disputes that may arise. The principal business address for KFCLLC is 1900 Colonel Sanders Lane Louisville, KY 40213, for TBLLC is 1 Glen Bell Way, Irvine, CA 92618 and for PHLLC is 7100 Corporate Drive, Plano, TX 75024.

Area Development Agreement




You may (if you qualify) develop and operate a number of Habit Burger Restaurants within a specified area referred to as the Development Area. We and you will identify the Development Area in the Area Development Agreement before signing it. The Development Area typically is a city, cities, or other political subdivisions. We base the Development Area’s size primarily on the number of Habit Burger Restaurants you agree to develop, demographics, and site availability. We and you will negotiate the number of Restaurants you must develop to keep your development rights and the dates by which you must develop them. We and you then will complete the Schedule in the Area Development Agreement before signing it. We may terminate the Area Development Agreement if you do not satisfy your development obligations when required or we may choose to modify your Development Area if you do not satisfy your development obligations. There are no other circumstances under which we may alter your Development Area.




We do not grant any exclusivity to you under the Area Development Agreement. We expressly reserve the right to, and grant others the right to, develop and operate Habit Burger Restaurants anywhere inside and outside the Development Area without any restriction whatsoever and perform any activities not expressly prohibited by this Agreement. We, and our affiliates, may also market and distribute products, using the Marks, anywhere within or outside the Development Area using other channels of distribution (including mail order catalogs, non-traditional locations, food trucks, take-away premises, online networks, and other permanent, temporary or seasonal food service facilities, grocery stores, carts or kiosks) to customers located anywhere in the world.

Item 13

TRADEMARKS

The Area Development Agreement does not grant you any right to use the Marks in any manner. The Franchise Agreement grants you the right to use the Marks to operate your Restaurant. THR, our parent company, registered the following principal trademarks (the “Marks”) on the Principal Register of the United States Patent and Trademark Office (the “USPTO”):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
THE HABIT	2,372,967	August 1, 2000 Renewed: August 14, 2020
	2,397,691	October 24, 2000 Renewed: December 5, 2020
	2,850,583	June 8, 2004 Renewed: July 16, 2013
CUSTOM BUILT QUALITY FOOD MADE TO ORDER	3,157,572	October 17, 2006 Renewed: September 3, 2016
	3,158,670	October 17, 2006 Renewed: September 3, 2016
HABIT	4,684,744	February 10, 2015

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	5,534,425	August 7, 2018
	5,534,429	August 7, 2018
	5,629,341	December 11, 2018
THE HABIT BURGER GRILL	6,622,750	January 18, 2022
THE HABIT BURGER GRILL	6,903,680	November 22, 2022

THR has made all required renewal and affidavit filings (if any are due) for these registrations.

Under a License Agreement with THR, THR has licensed us to use the Marks and to sublicense them to our franchise owners to use in operating Habit Burger Restaurants. The license agreement is perpetual in duration, but either we or THR may terminate it with 30 days' notice to the other. However, termination of the license agreement will not affect existing franchise agreements. No other agreement limits our right to use or license the Marks.

You must follow our rules when you use the Marks, including giving proper notices of trademark and service mark registration and obtaining fictitious or assumed name registrations required by law. You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in selling any unauthorized services or products; or as part of any domain name, homepage, electronic address, or otherwise in connection with a website.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal

Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and you may not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and THR may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us and THR in protecting and maintaining our interests in any litigation or USPTO or other proceeding. We will reimburse you for your costs of taking any action that we asked you to take.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Restaurant's signs, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

We will reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. We and THR claim copyrights in the Operations Manuals and training documents (which contains our trade secrets), advertising and marketing materials, menus, and similar items used in operating Habit Burger Restaurants. We and THR have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your Restaurant (and must stop using them if we so direct you).

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

We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manuals and training documents and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; recipes for Trade Secret Food Products such as our proprietary burger grind; training and operations materials; methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Habit Burger Restaurants; marketing and advertising programs for Habit Burger Restaurants; any computer software or similar technology that is proprietary to us or the system; knowledge of specifications for and suppliers of Operating Assets, Trade Secret Food Products, and other products and supplies; knowledge of the operating results and financial performance of Habit Burger Restaurants other than your Restaurant; customer lists, records and data; and graphic designs and related intellectual property.

All ideas, concepts, recipes, techniques, or materials concerning a Habit Burger Restaurant, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with those having access. We may regulate the form of agreement that you use and will be a third party beneficiary of that agreement with independent enforcement rights.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate, and must retain at all times during the term of this Agreement, an individual to serve as your Managing Owner. If you are an individual, you must perform all obligations of the Managing Owner. The Managing Owner for all Habit Burger Restaurants operated by you and, if applicable, your affiliates, must be the same person, and the Managing Owner under this Agreement and if applicable, under the Area Development Agreement pursuant to which this Agreement is executed must be the same person. Managing Owner must have completed training to our satisfaction and must devote full time and efforts to the management and supervision of the Restaurant. Managing Owner must also maintain a direct or indirect ownership interest of not less than 10% in you (if you are an entity). Except as may otherwise be provided in this Agreement, the Managing Owner’s interest in you must be and remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options. The Managing Owner must execute this Agreement, and must be individually, jointly and severally, bound by all your obligations hereunder. Notwithstanding the above, you may you may, at your option and subject to our written consent, designate a district manager to supervise the operation of your Habit Burger Restaurant (“District Manager”);

provided, that the District Manager for all Habit Burger Restaurants operated by you and, if applicable, your affiliates, must be the same person, and the District Manager under this Agreement and the Area Development Agreement pursuant to which this Agreement is executed must be the same person; and provided further, that you and your Managing Owner will remain fully responsible for District Manager's performance.

Unless a District Manager is designated, your Managing Owner (or you, if an individual) must devote full time and best efforts to the supervision of the Habit Burger Restaurants operated by you and, if applicable, your affiliates, and, without our written consent, must not engage in any other business. If a District Manager is designated, the District Manager must devote his or her full time and best efforts to the supervision and operation of the Habit Burger Restaurant business conducted by you and, if applicable, your affiliates. You may also appoint several Restaurant-level managers to oversee the day-to-day operations of the Restaurant. System Standards may regulate the Restaurant's staffing levels to meet brand standards, identifying the Restaurant's personnel, and employee training, dress, and appearance to meet brand standards. The Restaurant must be managed by at least 5 managers, including a kitchen manager, who have successfully completed our management training program(s) and have received the ServSafe® certification and who have responsibility for the day to day management of all operations of the Restaurant. You must ensure that each of these trained managers devotes all of their full working time to on-site management responsibilities at the Restaurant during operating hours, with at least one manager remaining on-site at all times during the Restaurant's operating hours. Each and every shift must have a manager in charge that is certified and trained by us is ServSafe® certified.

You must keep us informed at all times of the identity of any supervisory employees acting as assistant managers (including kitchen managers) of the Restaurant. Your assistant managers need not have an equity interest in the Restaurant or you but must agree in writing, if we require it, to preserve confidential information and trade secrets to which they have access and not to compete with you, us, and other franchise owners. We may regulate the form of agreement that you use and be a third party beneficiary of that agreement with independent enforcement rights. You must promptly notify us within 5 days if the Managing Owner cannot continue to serve in that capacity or no longer qualifies as such, and must take immediate steps to identify a replacement Managing Owner within a reasonable time, not to exceed 15 days, during which period, you must provide for interim management of your operations.

If you are a corporation, limited liability company, or partnership, each of your owners with a direct or indirect ownership interest of at least 10% in you must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This "Guaranty and Assumption of Obligations" is the last page of the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all Menu Items and perform all services that we periodically require for Habit Burger Restaurants. You may not offer or sell any products or perform any

services that we have not authorized. Our System Standards may regulate required and/or authorized Menu Items and Trade Secret Food Products; unauthorized and prohibited food products, beverages, and services; purchase, storage, preparation, handling, and packaging procedures and techniques for Menu Items and Trade Secret Food Products; and inventory requirements for Trade Secret Food Products and other products and supplies so that your Restaurant operates at full capacity. We periodically may change required and/or authorized Menu Items and Trade Secret Food Products. There are no limits on our right to do so. You may conduct business only with customers at the Restaurant.

Item 17

**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP**

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

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1.E. of the Franchise Agreement	Begins on the effective date of the Franchise Agreement and ends 10 years after franchisee signs lease for Restaurant.
b. Renewal or extension of the term	Section 1.E. of the Franchise Agreement	If you are in full compliance with the Franchise Agreement, you may renew the term for one additional term of 10 years. Such renewal will be on our then current form of franchise agreement (which may be materially different)
c. Requirements for franchisee to renew or extend	Section 1.E. of the Franchise Agreement	To “renew,” you must give us timely notice; maintain possession of Restaurant premises or find acceptable substitute premises; remodel Restaurant according to our then current standards (regardless of cost); and sign our then current franchise agreement, a release (if law allows), and other documents we use to grant franchises. The terms of our then current franchise agreement that you sign for renewal of the franchise may differ materially from any and all of those contained in the franchise agreement attached to this disclosure document, including increased fees and requirements for purchases from us and/or our affiliates.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
d. Termination by franchisee	N/A	There is no contractual termination right. You may be permitted to terminate the Franchise Agreement under applicable law.
e. Termination by franchisor without cause	IT Services Agreement	We may not terminate your franchise without cause, but we may stop providing helpdesk and other IT system services on 30 days' notice.
f. Termination by franchisor with cause	Section 4A., Section 13 of the Franchise Agreement	<p>We may terminate your franchise without notice if you or a Principal Owner becomes insolvent, files bankruptcy, makes an assignment for the benefit of creditors, consents to the appointment of a trustee or receiver or if the Restaurant is attached or seized subject to an order provided that such order is not vacated within 30 days.</p> <p>We may also terminate your franchise upon delivery of written notice to you if you or your owners commit one of several violations listed in the Franchise Agreement including misrepresentation in acquiring the franchise; failure to open Restaurant by the opening date, which will be 365 days after the Franchise Agreement's effective date or on a different date that we specify; failure to complete training; abandonment; unapproved transfers; conviction of a felony; failure to maintain required insurance; dishonest or unethical conduct; loss of right to occupy Restaurant premises; unauthorized use or disclosure of the Operations Manuals or other confidential information; violation of applicable law and failure to correct violation within 72 hours of receiving notice; failure to provide us a record, report or other information required pursuant to the Franchise Agreement within 30 days of the designated deadline; failure to pay sums due to us or our affiliates within 10 days of receiving notice; failure to pay taxes; understating Gross Sales; repeated breaches (even if cured); violation of any anti-terrorism law; failure to timely cure any breaches under the Franchise Agreement, Area Development Agreement or any other agreement between you and us.</p>
g. "Cause" defined-curable defaults	Section 13 of the Franchise Agreement	You have 72 hours to cure health, safety, or sanitation law violations; 10 days to cure

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		monetary defaults and failure to maintain required insurance; and 30 days to cure operational defaults and other defaults not listed in (h) below.
h. “Cause” defined- non-curable defaults	Section 13 of the Franchise Agreement	Non-curable defaults include: misrepresentation in acquiring the franchise; failure to open Restaurant by the opening date, which will be 365 days after the Franchise Agreement’s effective date or on a different date that we specify; failure to complete training; abandonment; unapproved transfers; conviction of a felony; dishonest or unethical conduct; loss of right to occupy premises; unauthorized use or disclosure of the Operations Manuals or other confidential information; failure to pay taxes; understating Gross Sales grossly or repeatedly; repeated breaches (even if cured); an assignment for the benefit of creditors; appointment of a trustee or receiver (unless vacated within 30 days); attachment or seizure of Restaurant under a warrant or writ (unless vacated within 30 days); violation of any anti-terrorism law; failure to timely cure any breaches under the Franchise Agreement, Area Development Agreement or any other agreement between you and us; repeated failures to comply with Franchise Agreement, Area Development Agreement or any other agreement between you and us.
i. Franchisee’s obligations on termination/non-renewal	Section 14 of the Franchise Agreement	Obligations include paying outstanding amounts; complete deidentification; assigning telephone and other numbers as well as all rights to any Internet websites, domain names, URLs, listings, services, search engines or systems and any other business listings related to the Restaurant. and returning confidential information (also see (o) and (r) below)
j. Assignment of contract by franchisor	Section 12.A. of the Franchise Agreement	No restriction on our right to assign; we may assign without your approval
k. “Transfer” by franchisee – defined	Section 12.B. of the Franchise Agreement	Includes voluntary, involuntary, direct or indirect transfer of Franchise Agreement, the Restaurant (or its profits, losses or capital appreciation), sale of Restaurant’s assets,

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		and ownership change in you or your owners.
l. Franchisor approval of transfer by franchisee	Section 12.C. of the Franchise Agreement	No transfer without our prior written consent.
m. Conditions for franchisor approval of transfer	Section 12.C. of the Franchise Agreement	New franchise owner qualifies; you pay us, our affiliates, and third party vendors all amounts due and submit all required reports; no breaches during 60-day period before transfer request or during period between request and transfer's proposed effective date; new franchise owner (and its owners and affiliates) are not in a competitive business; training completed; lease transferred; you or transferee signs our then current franchise agreement and other documents; transfer fee paid; you sign release (if law allows); we approve material terms; you subordinate amounts due to you; you deidentify; you correct existing Restaurant deficiencies of which we notify you; de-identification; and transferee agrees to upgrade and remodel Restaurant within specified timeframe after transfer (also see (m) below)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 12.F. of the Franchise Agreement	We may match any offer for your Restaurant or an ownership interest in you
o. Franchisor's option to purchase franchisee's business	Section 14.E. of the Franchise Agreement	We may assume the lease and buy any assets at the then current fair market value after the Franchise Agreement is terminated or expires (without renewal)
p. Death or disability of franchisee	Section 12.D. of the Franchise Agreement	Assignment of franchise or an ownership interest in you to approved party within 9 months; we may manage Restaurant if there is no qualified manager
q. Non-competition covenants during the term of the franchise	Section 7 of the Franchise Agreement	Subject to state law, no diverting business; no ownership interest in, or performing services for, competitive business anywhere ("competitive business" means any business that derives more than 20% of its revenue from selling hamburgers or any business granting franchises or licenses to others to operate such a business).
r. Non-competition covenants after the franchise is terminated or expires	Section 14.D. of the Franchise Agreement	Subject to state law, no direct or indirect ownership interest in, or performing services for, competing business for 2 years at

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		Restaurant's premises, within a 10 mile radius of the Premises or within a 10 mile radius of any other Habit Burger Restaurant existing or under construction as of date Franchise Agreement expires or is terminated (same restrictions apply after transfer)
s. Modification of the agreement	Section 16.O. of the Franchise Agreement	No modifications generally, but we may change Operations Manuals and System Standards
t. Integration/merger clause	Section 16.O. of the Franchise Agreement	Only terms of Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u. Dispute resolution by mediation or litigation	Section 16.E. to K. of the Franchise Agreement	Subject to state law and except for actions for monies owed, for injunctive or extraordinary relief or related to the possession or disposition of certain property, you agree to engage in mediation at our principal place of business. Disputes not resolved through mediation may be litigated under Delaware law at the venue of the courts in the state where our principal place of business is located.
v. Choice of forum	Section 16.F. of the Franchise Agreement	State and Federal courts in the state where our principal place of business is located.
w. Choice of law	Section 16.G. of the Franchise Agreement	State of Delaware.

AREA DEVELOPMENT AGREEMENT

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Section 3D of the Area Development Agreement	The term of the Area Development Agreement depends on development obligations.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
d. Termination by franchisee	N/A	There is no contractual termination right. You may be permitted to terminate the Area Development Agreement under applicable law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 8 of the Area Development Agreement	We may terminate your development rights under the Area Development Agreement only if you or your owners (or your affiliated entity) commit one of several violations.
g. "Cause" defined-curable defaults	Section 8 of the Area Development Agreement	You have 30 days to cure your failure to meet development schedule obligations and other defaults not listed in (h) below.
h. "Cause" defined- non-curable defaults	Section 8 of the Area Development Agreement	We may terminate the Area Development Agreement if you do not meet obligations; unapproved transfers; conviction of a felony or any criminal act that is likely to adversely affect the goodwill of the Habit Burger System; repeated defaults (even if cured); insolvency by reason of inability to pay obligations or an assignment for the benefit of creditors; filing petition in bankruptcy or seeking any reorganization liquidation, dissolution or composition or other settlement with creditors under any law that is not dismissed within 30 days of filing; material misrepresentations to us in application for development rights, site approval requests, approval of a franchise agreement; unauthorized use of the Marks or our confidential information; if Franchise Agreement or any other franchise agreement between us and you (or an affiliated entity) is terminated; or if we have sent written notice of default to you (or your affiliated entity) under the Franchise Agreement or any other franchise agreement between us and you (or your affiliated entity) (whether or not default is cured).
i. Franchisee's obligations on termination/non-renewal	Section 9 of Area Development Agreement	Obligations include immediately returning any manuals or other confidential information provided or loaned to you by us under the Area Development Agreement.
j. Assignment of contract by franchisor	Section 7A of Area Development Agreement	No restriction on our right to assign; we may assign without your approval

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
k. "Transfer" by franchisee – defined	Section 7B of the Area Development Agreement	Includes assignment of the Franchise Agreement, ownership change (whether or not it is a controlling ownership interest), transfer of the Area Development Agreement separate from the Franchise Agreement, or any other attempt to assign the development rights.
l. Franchisor approval of transfer by franchisee	Section 7B of the Area Development Agreement	We will not under any circumstances allow the development rights to be transferred.
m. Conditions for franchisor approval of transfer	Not Applicable	Not Applicable
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Section 10 of Area Development Agreement	Subject to state law, no diverting business; no ownership interest in, or performing services for, competitive business anywhere ("competitive business" means any business that derives more than 20% of its revenue from selling hamburgers or any business granting franchises or licenses to others to operate such a business).
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable.
s. Modification of the agreement	Section 10 of the Area Development Agreement	No modifications generally, but we may change Operations Manuals and System Standards
t. Integration/merger clause	Section 10 of the Area Development Agreement	Only terms of Area Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 10 of the Area Development Agreement	Subject to state law and except for actions for monies owed, for injunctive or extraordinary relief or related to the possession or disposition of certain property, you agree to engage in mediation at our principal place of business. Disputes not resolved through mediation may be litigated under Delaware law at the venue

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		of the courts in the state where our principal place of business is located.
v. Choice of forum	Section 10 of the Area Development Agreement	State and Federal courts in the state where our principal place of business is located.
w. Choice of law	Section 10 of the Area Development Agreement	State of Delaware.

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

This Item 19 presents information about the financial performance of certain Habit Burger Restaurants during the fiscal year period from December 29, 2021 to December 27, 2022 (“**Fiscal Year 2022**”). We have not made permanent, material changes to our concept as a result of the COVID-19 pandemic.

1. Financial Performance Representations for Fiscal Year 2022

There were 338 Habit Burger Restaurants operating in the United States as of December 27, 2022, 307 of which operated during our entire Fiscal Year 2022. Our parent, THR, operated 261 of these Habit Burger Restaurants and franchisees operated 46 of these Habit Burger Restaurants. Eighteen company-owned Habit Burger Restaurants were sold to franchisees during Fiscal Year 2022 and are included in the 46 franchise-operated Habit Burger Restaurants referenced above. Three franchise-operated Habit Burger Restaurants were purchased by our parent, THR, during Fiscal Year 2022 and are included in the 261 company-owned Habit Burger Restaurants referenced above. Two of the THR-operated Habit Burger Restaurants and 8 of the franchise-operated Habit Burger Restaurants are in non-traditional locations and therefore are excluded from this financial performance representation. We call the other 297 Habit Burger Restaurants the “**2022 Covered Restaurants.**” Of these 297 2022 Covered Restaurants, many were temporary closed as a result of the COVID-19 pandemic for an indeterminate number of partial or entire operating days. In these financial performance representations, a temporary closure

because of the COVID-19 pandemic means that the restaurant did not offer or sell any menu or other items to customers during this time through indoor dining, outdoor dining, drive-thru, delivery or take out. Our parent, THR, operated 259 of the 2022 Covered Restaurants (the “**THR 2022 Covered Restaurants**”) and franchisees operated 38 of the Covered Restaurants (the “**Franchisee 2022 Covered Restaurants**”). We expect that franchised Habit Burger Restaurants will offer the same products and services as the 2022 Covered Restaurants. These results are based on THR’s audited financial statements provided to us by THR and the Gross Sales of the Franchisee 2022 Covered Restaurants as reported to us by our franchisees.

The THR 2022 Covered Restaurants were located in California (194), Utah (12), Arizona (15), New Jersey (12), Florida (8), Idaho (3), Maryland (5), North Carolina (2), South Carolina (1), Pennsylvania (1), Nevada (1), Virginia (3) and Washington (2). 58 of the THR 2022 Covered Restaurants opened in 2012 or earlier, 19 opened in 2013, 22 opened in 2014, 23 opened in 2015, 24 opened in 2016, 26 opened in 2017, 27 opened in 2018, 20 opened in 2019, 10 opened in 2020 and 30 opened in 2021. The Franchisee 2022 Covered Restaurants were located in California (21), Nevada (7), Washington (9) and Massachusetts (1). 2 of the Franchisee 2022 Covered Restaurants opened in 2012 or earlier, 2 opened in 2013, 1 opened in 2014, 7 opened in 2015, 4 opened in 2016, 7 opened in 2017, 8 opened in 2018, 1 opened in 2019, 5 opened in 2020 and 1 opened in 2021.

A. Yearly Gross Sales for the 38 Franchisee 2022 Covered Restaurants

We reflect the data in the tables below in quartile tiers based on the Franchisee 2022 Covered Restaurants’ Gross Sales for a more defined and thorough understanding of the data. In order to establish these four tiers, we calculated the mean of the Franchisee 2022 Covered Restaurants’ Gross Sales (\$2,049,234) and determined the standard deviation (\$496,328). (We calculated the standard deviation as follows: (1) calculating the mean for the Franchisee 2022 Covered Restaurants’ Gross Sales, (2) subtracting the mean from each Franchisee 2022 Covered Restaurants’ Gross Sales and squaring the result, (3) calculating the mean of the squared results, which is considered the variance, and (4) squaring the variance.) Tiers 1 and 4 contain data from Franchisee 2022 Covered Restaurants that are on the periphery of system-wide average sales volumes and capture the Franchisee 2022 Covered Restaurants with the lowest and highest sales. Tiers 2 and 3 contain data from the Franchisee 2022 Covered Restaurants that have more typical sales volumes.

Table A

Fiscal Year 2022

(Dollars are in thousands)					
	Tier 1	Tier 2	Tier 3	Tier 4	Total
# of Franchisee 2022 Covered Restaurants	5	15	13	5	38
Gross Sales					
Lowest \$ Gross Sales	1,013	1,656	2,059	2,688	1,013
Highest \$ Gross Sales	1,451	2,043	2,466	3,418	3,418

(Dollars are in thousands)					
	Tier 1	Tier 2	Tier 3	Tier 4	Total
\$ Gross Sales Median	1,318	1,889	2,147	2,791	2,034
\$ Gross Sales Average	1,246	1,875	2,209	2,960	2,049
# and % of 2022 Covered Restaurants at or above average	3 or 60%	9 or 60%	6 or 46%	2 or 40%	18 or 47%

B. Yearly Gross Sales for the 259 THR 2022 Covered Restaurants

We reflect the data in the tables below in quartile tiers based on the THR 2022 Covered Restaurants' Gross Sales for a more defined and thorough understanding of the data. In order to establish these four tiers, we calculated the mean of the THR 2022 Covered Restaurants' Gross Sales (\$2,021,703) and determined the standard deviation (\$627,992). (We calculated the standard deviation as follows: (1) calculating the mean for the THR 2022 Covered Restaurants' Gross Sales, (2) subtracting the mean from each THR 2022 Covered Restaurants' Gross Sales and squaring the result, (3) calculating the mean of the squared results, which is considered the variance, and (4) squaring the variance.) Tiers 1 and 4 contain data from THR 2022 Covered Restaurants that are on the periphery of system-wide average sales volumes and capture the THR 2022 Covered Restaurants with the lowest and highest sales. Tiers 2 and 3 contain data from the THR 2022 Covered Restaurants that have more typical sales volumes.

Table B

Fiscal Year 2022

(Dollars are in thousands)					
	Tier 1	Tier 2	Tier 3	Tier 4	Total
# of THR 2022 Covered Restaurants	38	110	70	41	259
Gross Sales					
Lowest \$ Gross Sales	892	1,403	2,034	2,650	892
Highest \$ Gross Sales	1,377	2,021	2,639	4,356	4,356
\$ Gross Sales Median	1,218	1,722	2,277	3,030	1,916
\$ Gross Sales Average	1,206	1,724	2,286	3,125	2,022
# and % of THR 2022 Covered Restaurants at or above average	20 or 53%	54 or 49%	34 or 49%	18 or 44%	111 or 43%

C. *Operating Profit Percentage for the 249 Adjusted THR 2022 Covered Restaurants*

In this Section 1.C, we reflect the Operating Profit Percentage for 249 of the 259 THR Covered Restaurants. We have excluded the ten THR Covered Restaurants for which we do not have full Fiscal Year 2022 cost information in THR’s audited financial statements. Two of these ten were franchise-operated Habit Burger Restaurants that were purchased by our parent, THR, during Fiscal Year 2022, eight of the ten were purchased by our parent, THR, during fiscal year 2021, but were operated by the franchisee for part of Fiscal Year 2022. The remaining 249 Habit Burger Restaurants, the “**Adjusted THR 2022 Covered Restaurants**” are included in the data tables below. We reflect the data in the tables below in quartile tiers based on the Adjusted THR 2022 Covered Restaurants’ Gross Sales. In order to establish these four tiers, we calculated the mean of the Adjusted THR 2022 Covered Restaurants’ Gross Sales (\$2,019,573) and determined the standard deviation (\$635,052). (We calculated the standard deviation as follows: (1) calculating the mean for the Adjusted THR 2022 Covered Restaurants’ Gross Sales, (2) subtracting the mean from each Adjusted THR 2022 Covered Restaurants’ Gross Sales and squaring the result, (3) calculating the mean of the squared results, which is considered the variance, and (4) squaring the variance.) Tiers 1 and 4 contain data from Adjusted THR 2022 Covered Restaurants that are on the periphery of system-wide average sales volumes and capture the Adjusted THR 2022 Covered Restaurants with the lowest and highest sales. Tiers 2 and 3 contain data from the Adjusted THR 2022 Covered Restaurants that have more typical sales volumes. The figures in Table C are based upon THR’s audited financial statements reports provided to us by THR. Table C excludes results for the 38 Franchisee 2022 Covered Restaurants because we do not receive expense data from those franchisee-owned 2022 Covered Restaurants.

Table C

Fiscal Year 2022

	Tier 1	Tier 2	Tier 3	Tier 4	Total
# of Adjusted THR 2022 Covered Restaurants	37	105	68	39	249
Operating Profit Percentage					
Lowest Single Restaurant Operating Profit Percentage (Includes 5.5% Royalty Fee in Operating Costs)	-22.3%	-2.1%	10.7%	13.5%	-22.3%
Highest Single Restaurant Operating Profit Percentage (Includes 5.5% Royalty Fee in Operating Costs)	11.0%	20.7%	27.9%	28.1%	28.1%

	Tier 1	Tier 2	Tier 3	Tier 4	Total
Median Operating Profit Percentage (Includes 5.5% Royalty Fee in Operating Costs)	0.3%	12.2%	17.7%	20.9%	14.4%
Average Operating Profit Percentage (Includes 5.5% Royalty Fee in Operating Costs)	0.2%	11.5%	17.9%	21.1%	14.8%
# and % of Adjusted THR 2022 Covered Restaurants at or above Average Operating Profit Percentage (Includes 5.5% Royalty Fee in Operating Costs)	19 or 51%	54 or 51%	34 or 50%	19 or 49%	121 or 49%

2. Notes to Financial Performance Representations for Fiscal Year 2022

A. We calculated the figures in the tables above using information that our parent company, THR, provided. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form. Upon your reasonable request, we will provide written substantiation for these financial performance representations.

B. For the THR 2022 Covered Restaurants, we calculated Gross Sales using the Gross Sales definition listed in Item 6. For the Franchisee 2022 Covered Restaurants, we use the Gross Sales figures that the franchisees reported to us.

C. We calculated “**Operating Profit Percentage**” for each tier by: (a) subtracting the Cost of Goods Sold, Labor Costs and General Operating Expenses (as we define those terms below) for each of the Adjusted THR 2022 Covered Restaurants included in the applicable tier from the Gross Sales of each of those same Adjusted THR 2022 Covered Restaurants, (b) dividing that amount by the Gross Sales of each of those same Adjusted THR 2022 Covered Restaurants, and (c) reflecting it as a percentage.

D. “**Cost of Goods Sold**” means the cost for food, paper and beverage net of any vendor rebates.

E. “**Labor Costs**” means wages (including overtime), bonus and other incentive compensation, health insurance premiums, vacation pay, workers’ compensation costs and associated payroll taxes paid to the employees who spend all of their time at the particular THR 2022 Covered Restaurants, including the general manager, assistant managers and kitchen

managers. This figure does not cover all employee-related costs associated with operating a Habit Burger Restaurant. For example, this figure does not include amounts for the salaries of multi-unit supervisors or trainers, and any marketing, accounting, contract administration or other services done by employees at the corporate level.

F. **“General Operating Expenses”** means costs for supplies, including smallwares and cleaning supplies; telephone, gas, electric, water, waste removal and other utilities; advertising, marketing and promotion; controllable expenses like employee uniforms, repairs and maintenance on the equipment and restaurant premises, service contracts, office supplies and janitorial supplies and services; and non-controllable expenses like cash handling and credit card fees, payroll processing fees, accounting and other professional fees, and employee recruiting costs. We also imputed royalties equal to 5.5% of Gross Sales as part of General Operating Expenses even though company restaurants do not pay royalties. We did not impute any Merchandise Costs or contribution to the Merchandise Fund as we have not implemented these contributions yet. We charged an Advertisement Assessment (of 1.0% of Gross Sales) beginning January 1, 2022. We also did not impute any Advertisement Assessment (which can range up to 4.5% of Gross Sales) because company-owned Habit Burger Restaurants will pay the same Advertisement Assessment, and the definition for “General Operating Expenses” here already includes “advertising, marketing and promotion” costs that the THR 2022 Covered Restaurants incurred.

G. There are a number of other costs and expenses that the THR 2022 Covered Restaurants may incur that are not included in the calculation to determine Operating Profit Percentage. Some of these costs and expenses include, for example, the Technology Fee; Merchandise Costs; contributions to Merchandise Fund (we have not established this fund as of the date of this Disclosure Document); training costs; pre-opening costs, occupancy expenses such as fixed rent, percentage rent, licenses, permits, common area maintenance charges, real estate taxes, personal property taxes, legal fees, equipment rental fees and liability insurance premiums; and interest and other debt services costs, income taxes, depreciation and amortization. Additionally, your Royalty payment may be different than the 5.5% of Gross Sales that we have imputed as a part of the General Operating Expenses. Also, some of the general and administrative expenses that THR incurs are not included in the calculation for Operating Profit Percentage. These expenses cover services relating to overseeing the organization that a typical business owner would ordinarily provide, such as services to procure insurance, analyze financial statements and restaurant performance, troubleshoot operational or repair issues, place employment ads and onboard employees, and any other miscellaneous oversight roles. We expect that franchisees will provide these services for their franchised Restaurants. You should consider these and all other costs and expenses that you will incur when creating a business plan for your Restaurant.

H. 215 of the 297 2022 Covered Restaurants are located in California, where Habit Burger Restaurants have established a market presence. Gross Sales and operating profit for the Habit Burger Restaurants included in these financial performance representations vary significantly depending on a number of factors, including, among other things, the location of the restaurant, whether the restaurant offers drive-thru services, delivery services, competition in the market, pricing decisions, variable commodity costs (particularly produce costs), distribution costs, the number of other nearby Habit Burger Restaurants in the market, the level and types of marketing the restaurant undertakes, the quality of management and service at the restaurant,

staffing decisions (including wage rates), labor productivity and contractual relationships with lessors and vendors and other operating cost differences.

I. The 2022 Covered Restaurants generally reflect the mix of characteristics that we expect for new franchised Habit Burger Restaurants. For example, the 2022 Covered Restaurants:

- occupy, on average, 2,000 to 2,800 square feet of indoor space along with outdoor patios.
- seat, on average, 40 to 80 guests indoors and 25 to 35 guests outdoors.
- are in various styled locations including end-cap locations, in-line locations, food court locations, and freestanding locations.
- are typically located in grocery-anchored strip centers, power centers anchored by big box retailers and freestanding locations located near multiple traffic generators and with co-tenants with customer demographics similar to ours.
- 77 of the 2022 Covered Restaurants offer drive-thru services in either an endcap retail building or a freestanding building.

The financial performance representation figures do not reflect all of 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 operating income or net profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of any company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Russ Bendel, our Chief Executive Officer, at 1 Glen Bell Way, Irvine, California 92618, 949-851-8881, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2020 to 2022

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	23	25	+2
	2021	25	31	+6
	2022	31	52	+21
Company-Owned	2020	241	253	+12
	2021	253	276	+23
	2022	276	286	+10
Total Outlets	2020	264	278	+14
	2021	278	307	+29
	2022	307	338	+31

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Totals	2020	0
	2021	0
	2022	0

Table No. 3

Status of Franchised Outlets
For years 2020 to 2022

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations- Other Reasons	Col. 9 Outlets at End of the Year
Arizona	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
California	2020	5	0	0	0	0	1	4
	2021	4	8	0	1	0	0	11
	2022	11	21	0	0	3	0	29
Massachusetts	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	0	10
Washington	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	2	0	0	0	0	11
Totals	2020	23	3	0	0	0	1	25
	2021	25	8	0	1	0	1	31
	2022	31	24	0	0	3	0	52

Table No. 4

Status of Company-Owned Outlets
For years 2020 to 2022

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Arizona	2020	12	1	0	0	0	13
	2021	13	3	0	1	0	15
	2022	15	2	0	0	0	17

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
California	2020	184	11	0	0	0	195
	2021	195	23	0	0	7	211
	2022	211	19	3	0	18	215
Florida	2020	8	0	0	0	0	8
	2021	8	0	0	0	0	8
	2022	8	1	0	0	0	9
Idaho	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Maryland	2020	4	0	0	0	0	4
	2021	4	1	0	0	0	5
	2022	5	0	0	0	0	5
Nevada	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
New Jersey	2020	10	1	0	0	0	11
	2021	11	1	0	0	0	12
	2022	12	1	0	0	0	13
North Carolina	2020	3	0	0	1	0	2
	2021	2	0	0	0	0	2
	2022	2	1	0	0	0	3
Pennsylvania	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
South Carolina	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Utah	2020	11	0	0	0	0	11
	2021	11	1	0	0	0	12
	2022	12	1	0	0	0	13
Virginia	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Washington	2020	0	0	0	0	0	0
	2021	0	2	0	0	0	2
	2022	2	0	0	0	0	2
Totals	2020	241	13	0	1	0	253
	2021	253	31	0	1	7	276
	2022	276	25	3	0	18	286

Table No. 5

Projected Openings of Franchised and Company-Owned Outlets as of December 27, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlets Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	0	0	4
California	4	7	15
Florida	1	1	2
Idaho	0	0	2
Maryland	0	0	1

Column 1 State	Column 2 Franchise Agreements Signed But Outlets Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In the Next Fiscal Year
Nevada	0	2	0
New Jersey	1	1	3
North Carolina	0	0	4
South Carolina	0	0	5
Utah	0	0	2
Washington	0	1	1
Totals	6	12	39

All year-end numbers appearing in the tables in this Item are as of the end of the last fiscal period in each year. In this Item, we reflect Habit Burger Restaurants that THR, our parent company, owns and operates as “company-owned” outlets.

Exhibit E lists our franchisees and area developers as of December 27, 2022 and the addresses and telephone numbers of their restaurants. Exhibit E also lists franchisees who had outlets terminated, cancelled, or not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement as of December 27, 2022, or who have not communicated with us within 10 weeks of this disclosure document’s issuance date.

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

No franchisees have signed confidentiality clauses restricting their ability to speak openly about their experience with our franchise system.

There are currently no trademark-specific franchisee organizations associated with the Habit Burger Restaurant System.

Item 21

FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our audited financial statements which comprise the balance sheets as of December 27, 2022 and December 28, 2021, and the related statements of income, member's equity, and cash flows for each of the years in the three-year period ended December 27, 2022, and the related notes to the financial statements.

Item 22

CONTRACTS

The following agreements are exhibits:

- (a) Franchise Agreement — Exhibit B
- (b) Area Development Agreement – Exhibit B-1
- (c) General Release – Exhibit F
- (d) IT Services Letter Agreement - Traditional Restaurants – Exhibit G-1
- (e) IT Services Letter Agreement - Drive Thru Restaurants – Exhibit G-2
- (f) Financing Letter Agreement – Exhibit G-3
- (g) State Riders to Franchise Agreement — Exhibit H

Item 23

RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

EXHIBIT A

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

**STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of Department of Financial
Protection & Innovation
Department of Financial Protection & Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(866) 275-2677

San Diego

1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 (Phone)

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT B
FRANCHISE AGREEMENT



HBG FRANCHISE, LLC
FRANCHISE AGREEMENT

FRANCHISE OWNER

RESTAURANT ADDRESS

RESTAURANT NUMBER

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HBG FRANCHISE, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into as of the _____ day of _____, 20__ (the “Effective Date”), by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we”, “us”, or “our”), and _____, whose principal business address is _____ (“Franchise Owner”, “you”, or “your”).

1. **PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.**

A. **PREAMBLES.**

(1) We and our affiliates have, over a considerable time period and with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the operation of retail businesses offering premium hamburgers, sandwiches, salads, and related products and services (collectively, “Menu Items”). Menu Items are prepared according to our specified recipes and procedures and use high quality ingredients, including our specially formulated and specially produced proprietary grind of burger blend and other food products (collectively, “Trade Secret Food Products”) and other food products. These restaurants operate under the “The Habit Burger Grill” name and other trademarks (each a “Habit Burger Restaurant”) and have distinctive business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time.

(2) We and our affiliates use, promote, and license certain trademarks, service marks, trade dress, and other commercial symbols in operating Habit Burger Restaurants, which have gained and will continue to gain public acceptance and goodwill, and may create, use, and license other trademarks, service marks, and commercial symbols for Habit Burger Restaurants (collectively, the “Marks”).

(3) From time to time and in our sole discretion, we may grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Habit Burger Restaurant offering the Menu Items and services we authorize and using our business formats, methods, procedures, signs, designs, layouts, standards, specifications, and Marks (the “System”).

(4) As a franchise owner of a Habit Burger Restaurant, you will comply with this Agreement and all System Standards (as defined in Section 4.D.) in order to maintain the high and consistent quality that is critical to attracting and keeping customers for Habit Burger Restaurants.

(5) You have applied for a franchise to own and operate a Habit Burger Restaurant.

B. ACKNOWLEDGMENTS.

You acknowledge that:

(1) You have independently investigated the Habit Burger Restaurant franchise opportunity and recognize that, like any other business, the nature of the business a Habit Burger Restaurant conducts may, and probably will, evolve and change over time and that the success of this business venture will largely depend upon your ability and efforts. We expressly disclaim making, and you acknowledge that you have not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

(2) You acknowledge that you have received a complete copy of this Agreement and all related attachments and agreements at least seven (7) business days prior to the date on which this Agreement was executed. You further acknowledge that you have received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled “Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures” at least fourteen (14) business days prior to the date on which this Agreement was executed. You have read this Agreement and our franchise disclosure document (“FDD”) and understand and accept their contents.

(3) We, or our officers, directors, employees, and agents, have not made any representation, warranty, or other claim regarding this Habit Burger Restaurant franchise opportunity, other than those made in this Agreement and our FDD, and you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(4) You have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the Habit Burger Restaurant franchise opportunity.

(5) You have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or waived your right to do so.

C. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.

If you are at any time a corporation, limited liability company, or general or limited partnership (collectively, an “Entity”), you agree and represent that:

(1) You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any direct or indirect ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) Exhibit A to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Subject to our rights and your obligations under Section 12, you and your owners agree to update, sign and deliver to us from time to time a revised Exhibit A to reflect all future permitted changes in this information;

(4) Each of your owners with a direct or indirect ownership interest of at least ten percent (10%) in you, including your Managing Owner (defined below), during this Agreement's term will execute a Guaranty and Assumption of Obligations ("Guaranty") in the form attached to this Agreement. For the purpose of this Agreement, the "Managing Owner" is your shareholder, member, or partner, as applicable, who will be responsible for overseeing and supervising the operation of the Restaurant; and

(5) The Restaurant and other Habit Burger Restaurants, if applicable, will be the only businesses you operate.

D. GRANT OF FRANCHISE.

You have applied for a franchise to own and operate a Habit Burger Restaurant at the location identified on Exhibit B (the "Premises"). Subject to this Agreement's terms, we grant you a franchise to operate a Habit Burger Restaurant at the Premises (the "Restaurant"), and to use the System in its operation, in accordance with the terms provided in this Agreement. You may use the Premises only for the Restaurant. You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote the Restaurant. You must not relocate the Restaurant without our express prior written consent.

E. TERM AND RENEWAL.

Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date and will continue until the end of ten (10) years from the Opening Date (as defined in Exhibit C to this Agreement) (the "Initial Term").

You may renew your rights under this Agreement for one (1) additional term of ten (10) years ("Renewal Term", the Initial Term together with the Renewal Term, the "Term"), subject to any or all of the following conditions which must, at our option, be met prior to and at the time of renewal:

(1) You must give us written notice of your election to renew not less than six (6) months nor more than nine (9) months before the end of the Initial Term;

(2) You must refurbish, repair or replace, at your cost and expense, all equipment, electronic cash register systems, Computer System, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Restaurant as we may reasonably require and will otherwise upgrade the Restaurant to reflect the then-current System Standards and image of the System;

(3) You must not be in breach of any provision of this Agreement, any amendment hereof or successor hereto; neither you nor your affiliates must be in breach of any other agreement with us or any of our affiliates; and you and your affiliates must have substantially and timely complied with the terms and conditions of such agreements during the respective terms thereof;

(4) You must have timely satisfied all monetary obligations owed to us and our affiliates under this Agreement and any other agreement between you or any of your affiliates and us or any of our affiliates;

(5) You must present evidence satisfactory to us that you have the right to remain in possession of the Premises during the renewal term or obtain our consent to a new site for the Restaurant;

(6) You must execute our then-current form of franchise agreement, which agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher Royalty (as defined in Section 3.B.), Technology Fee (as defined in Section 3.C.) and Advertisement Assessment (as defined in Section 9.B.) and other amounts due under this Agreement and for your purchases from us and/or our affiliates;

(7) You must pay to us the then-current renewal fee;

(8) You and your owners must execute a general release of any and all claims against us, our affiliates, and our respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and

(9) You must comply with our then-current qualification and training requirements.

F. NO TERRITORIAL RIGHTS; NO DELIVERY RIGHTS.

(1) You will not receive an exclusive territory under this Agreement. This Agreement does not provide any exclusive grant, exclusive area, exclusive territorial rights, protected area, or any right to exclude, control, or impose conditions on the location or development of existing or future Habit Burger Restaurants. You may face competition from other franchised or

company-owned Habit Burger Restaurants. In addition we, our affiliates, other franchisees or licensees may distribute Menu Items utilizing other channels of distribution (including mail order catalogs, non-traditional locations, food trucks, take-away premises, online networks, and other permanent, temporary or seasonal food service facilities, grocery stores, carts or kiosks) using our Marks or competitive brands owned or controlled by our affiliates, without regard to the competitive impact on your Restaurant.

(2) You may not, without our prior written consent, engage in delivery of Menu Items to locations outside the Premises. You may however use third-party online ordering and/or delivery aggregators in accordance with our System Standards or as approved in writing by us.

G. RIGHTS ARE NON-EXCLUSIVE.

The rights granted to you under this Agreement are nonexclusive, and we and our affiliates have and retain all rights except those expressly granted to you. Accordingly, we, our affiliates, and any other authorized person or entity will have the right, among others, (i) to develop and establish other business systems using the Marks, or other names or marks, and to grant licenses to use those systems without providing any rights to you, (ii) to advertise and promote the System anywhere, (iii) to operate, and license others to operate, Habit Burger Restaurants at any location, including locations that are adjacent to your Restaurant, and (iv) directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all food, beverages, or other services and products, under the Marks, or under other names or marks, through any method of distribution, including, but not limited to, mail order catalogs, non-traditional locations, food trucks, take-away premises, online networks, and other permanent, temporary or seasonal food service facilities, grocery stores, carts or kiosks (which facilities may provide, in whole or in part, the products and services offered by a Habit Burger Restaurant) regardless of the proximity to, or the competitive impact on, your Restaurant.

2. DEVELOPMENT AND OPENING OF RESTAURANT.

A. RESTAURANT SITE.

You will select an appropriate site for the Premises in accordance with the terms and conditions of the Area Development Agreement. If you will buy the Premises, then you must furnish a copy of the executed purchase agreement to us within ten (10) business days of its execution. If you will occupy the Premises under a lease, then not later than twenty (20) business days prior to the proposed date of execution of the lease agreement, you must submit a copy of the lease agreement to us for our written approval. The lease must comply with our lease guidelines and have a term at least as long as the Initial Term. The lease must also include a rider containing terms substantially in the form of those provided in the “Lease Terms Addendum” attached as Exhibit D to this Agreement. Unless we agree in writing, no contract of sale or lease for the Premises will contain any term that is contrary to or inconsistent with any provision of this Agreement. If we do not communicate our approval or disapproval of a proposed lease agreement to you within twenty (20) business days following our receipt of the lease agreement, and if such agreement is accompanied by a rider or addendum containing the provisions of

Exhibit D, then the proposed lease agreement will be considered approved by us. You will furnish a copy of the executed lease agreement to us within ten (10) days after execution.

B. LICENSES; PERMITS.

You will be responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the Premises. Before beginning construction of the Restaurant, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Restaurant, and (ii) certify in writing to us that they have been obtained and that the insurance coverage specified in Section 8.I. of this Agreement is in full force and effect. Throughout the Term you must maintain all such licenses and/or governmental approvals. Failure to obtain and maintain such licenses and/or governmental approvals as required by this Section 2.B. will constitute a material breach under this Agreement. At our request, you will provide to us copies of all such approvals, clearances, permits, licenses and certifications.

C. CONSTRUCTION AND FINISH OUT.

You will obtain, at your expense, any architectural, engineering, design, construction and other services you deem necessary for the construction of the Restaurant.

You will adapt our prototypical architectural and design plans and specifications for a Habit Burger Restaurant as necessary for the construction of the Restaurant licensed under this Agreement and will submit such adapted plans to us for review and approval within fifteen (15) days after you buy or lease the Premises. If we object to the plans, we will provide you with a reasonably detailed list of the changes needed to make the plans consistent with System Standards. You acknowledge that our review of such plans is only for purposes of determining compliance with System Standards, and that acceptance of such plans by us does not constitute a representation, warranty, or guarantee, express or implied, by us that such plans are accurate or free of error concerning their structural application. We will not be responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor will we be responsible for any errors, omissions, or discrepancies of any nature in the plans.

You must promptly commence and diligently pursue construction of the Restaurant. Commencement of construction is defined as the time at which any site work is initiated. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises, depending on whether the Restaurant is to be located in a freestanding building or contained within a shopping mall, strip center or other interior location. During construction, you will provide us with such periodic progress reports as we may reasonably request. In addition, we will make such on-site inspections as we may deem reasonably necessary to evaluate such progress. You will notify us of the scheduled date for completion of construction no later than forty-five (45) days prior to such date. Within a reasonable time after the date construction is completed, we will, at our option, conduct an inspection of the completed Restaurant.

D. **RESTAURANT OPENING.**

You will open the Restaurant and commence business within three hundred and sixty five (365) days after the execution of this Agreement, unless you obtain a written extension of such time period from us. You acknowledge that time is of the essence. The opening date of the Restaurant (the “Opening Date”) will be entered in Exhibit C. Before the Opening Date, you must complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings and signs, pursuant to the System Standards or plans and specifications approved by us. If you fail to comply with any of such obligations, we will have the right to prohibit the Restaurant from opening.

You agree not to open the Restaurant until:

(1) we notify you in writing that the Restaurant meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that the Restaurant complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord’s, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies);

(2) you, your Managing Owner and other employees, as required by us, have completed the initial training program in accordance with Section 4.A.;

(3) you pay any amounts then due to us; and

(4) you give us certificates for all required insurance policies.

Failure to comply with these provisions when you open the Restaurant will be deemed a material breach under this Agreement.

3. **FEES.**

A. **INITIAL FRANCHISE FEE.**

You agree to pay us a nonrecurring and nonrefundable initial franchise fee of Thirty-Five Thousand Dollars (\$35,000.00). This fee is due, and fully earned by us, when you sign this Agreement.

B. **ROYALTY FEE.**

You agree to pay us, in the manner provided below (or as the Operations Manual (as defined in Section 4.C.) otherwise prescribes), a monthly continuing service and royalty fee (the “Royalty”) equal to five and a half percent (5.5%) of the Restaurant’s Gross Sales (defined below). On or before the sixth (6th) business day of each successive month, you agree to pay us the Royalty due for that month using the payment method described below.

As used in this Agreement, the term “Gross Sales” includes all revenues and income from any source that you directly or indirectly derive or receive from, through, by or on account of the operation of the Restaurant (including, without limitation, income related to take-outs, catering operations, digital and online sales including through third-party online ordering and/or delivery aggregators, special events and revenues and income from permitted non-restaurant operations conducted under or using the Marks), whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:

- (1) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by you in the operation of the Restaurant, and any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority;
- (2) Tips or gratuities paid directly by Restaurant customers to your employees or paid to you and then turned over by you to such employees in lieu of direct tips or gratuities;
- (3) Returns to shippers or manufacturers; and
- (4) Proceeds from isolated sales of trade fixtures not constituting any part of your products and services offered for resale at the Restaurant or having any material effect upon the ongoing operation of the Restaurant required under this Agreement.

We may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by us in our sole discretion. The following are included within the definition of Gross Sales described except as noted below:

- (a) The full value of meals furnished to your employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the week in which the meals were furnished for the purpose of determining the amount of Gross Sales upon which Royalty is due; and
- (b) All proceeds from the sale of coupons, gift cards or vouchers; provided, that at the time such coupons, gift cards or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the week in which such coupon, gift card or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which Royalty is due. If sales proceeds are not recorded and reported for Royalty purposes at the time the coupon, gift card or voucher is sold, or if such coupons, gift card or vouchers are distributed free of charge, no credit against Gross Sales is permitted upon redemption of such coupon, gift card or voucher.

C. **TECHNOLOGY FEE.**

You agree to pay us the then-current technology fee (the “Technology Fee”). The Technology Fee defrays our costs of developing, upgrading, enhancing, implementing,

operating, maintaining, supporting, hosting, securing, and integrating new and existing software and technology platforms for Habit Burger Restaurants. Such platforms may include, without limitation, restaurant operating systems, product and customer distribution channels, customer facing applications, e-commerce and payment processing systems, supply chain systems for use by and for the benefit of Habit Burger Restaurants. The Technology Fee may be adjusted (including the structure of the Technology Fee (e.g., percentage of sales, flat fee, and/or transaction-based fee)) at any time with sixty (60) days' prior written notice to you. The Technology Fee will be due and payable at the same time as the Royalty set forth in Section 3.B., or as otherwise defined by us.

D. LATE FEES AND INTEREST.

All amounts that you owe us for any reason will bear interest accruing as of their original due date at the lesser of (i) one and one-half percent (1.5%) per month, or (ii) the highest commercial contract interest rate allowed under applicable law. We may debit your Electronic Depository Transfer Account (as defined in Section 3.F.) automatically for late fees and interest. You acknowledge that this Section 3.D. does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Restaurant. Our acceptance of any payments due subsequent to the due date will not be deemed to be a waiver of any preceding breach by you or your owners of any terms, provisions, covenants or conditions of this Agreement. We may accept any payment in any amount from you without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any payment or in any letter accompanying any payment or elsewhere will constitute or be considered as an accord or satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

E. APPLICATION OF PAYMENTS.

Each payment to be made to us under this Agreement will be made free and clear and without deduction for any taxes.

We may apply any of your payments to any of your past due indebtedness to us even if you have designated the payment for another purpose or account. In the event that you are eligible to receive any payments from us pursuant to an incentive program, we may apply such incentive payments to offset any of your past due indebtedness to us. We may also set-off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You will have no right to withhold any amount due to us against any obligation that we may owe to you including any potential payments due to our alleged nonperformance or breach of this Agreement.

F. METHOD OF PAYMENT.

Before the Restaurant opens, you agree to sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty, Technology Fee, Advertisement Assessment (as defined in Section 9.B.), and other amounts due

under this Agreement and for your purchases from us and/or our affiliates (the “Electronic Depository Transfer Account” or “EDTA”). We will debit the EDTA for these amounts on their due dates. You agree to ensure that funds are available in the EDTA to cover our withdrawals. If there are insufficient funds in the EDTA to cover any such amount owed, we will charge you a processing fee of One Hundred Dollars (\$100) to compensate us for our additional administrative expenses. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

If we are unable to retrieve information via the polling system, then we will notify you and you must provide to us a report showing the Restaurant’s Gross Sales, Royalty and any other sales data and/or information we request for the time period we specify and in a format that we prescribe. If you fail to properly report such data through this alternative method based on the deadlines described above, we may debit your EDTA for one hundred twenty percent (120%) of the last Royalty, Technology Fee, and Advertisement Assessments that we debited (together with the late fee noted in Section 3.D. above). If the amounts that we debit from your EDTA are less than the amounts you actually owe us (once we have determined the Restaurant’s true and correct Gross Sales), we will debit your EDTA for the balance. If the amounts that we debit from your EDTA are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your EDTA during the following month.

We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (*e.g.*, by check) whenever we deem appropriate, and you agree to comply with our payment instructions.

4. **TRAINING AND ASSISTANCE.**

A. **INITIAL AND ONGOING TRAINING PROGRAM.**

Your Managing Owner, District Manager and Restaurant Managers (as defined in Section 8.H.), are required to complete an initial training program, provided by and at locations designated by us, prior to the Opening Date. Any successor or replacement Managing Owner, District Manager or Restaurant Manager must successfully complete our initial training program within a reasonable time after such persons are designated. We may charge a reasonable fee for such training. We also reserve the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs. You will be responsible for any and all expenses incurred in connection with any initial or additional training, including, without limitation, the costs of travel, lodging, meals and wages incurred by your employees undergoing such training.

We may require you, your Managing Owner and/or other previously trained and experienced employees to attend and complete various on-going brand standard training courses that we periodically choose to provide at the times and locations that we designate. We may charge reasonable registration or similar fees for these courses. Besides attending these courses, you agree to attend an annual meeting of all Habit Burger Restaurant franchise owners at a location we designate and to pay all costs to attend such annual meeting.

We may require that your Restaurant Managers satisfactorily complete our initial and ongoing brand standard training programs. All Restaurant Managers must complete manager brand standard training programs provided by us at a location chosen by us until you have your own certified trainers. We may charge reasonable fees for training managers. You must pay all travel and living expenses which you and your employees incur during all training courses and programs.

We may also provide, upon your reasonable request, or if we determine it to be necessary during the Term, on-site remedial training; provided, that remedial training will be conducted subject to the availability of our personnel, and provided further, that we may require you to pay the per diem fee then being charged for on-site remedial training, and pay or reimburse us for the expenses incurred by our representatives, including the costs of travel, lodging, meals, and wages.

If your Managing Owner, District Manager or any Restaurant Manager fails, in our sole judgment, to satisfactorily complete our initial training program, and you fail to cure such breach within thirty (30) days following written notice from us, we may terminate this Agreement. We may authorize you to implement a training program for the employees of the Restaurant developed pursuant to this Agreement in accordance with our then-current standards.

B. OPENING ASSISTANCE.

If the Restaurant is the first Habit Burger Restaurant established by you or your affiliates, we will provide such on-site pre-opening and opening assistance as we reasonably deem appropriate; provided, that you will reimburse us for any expenses incurred by our representatives, such as costs of travel, lodging, meals and wages. If the Restaurant is not the first Habit Burger Restaurant established by you, and you request our pre-opening and opening assistance, or we otherwise deems such assistance appropriate, we may charge a reasonable fee for our services, in addition to requiring you to pay or reimburse us for any expenses incurred by our employees or representatives.

C. GENERAL GUIDANCE.

We will provide advice to you through our manuals and other written materials concerning techniques for managing and operating Habit Burger Restaurants (“Operations Manual”), including new developments and improvements in System equipment and System products. We may inspect the Restaurant periodically and provide evaluations of the products sold and services rendered therein from time to time as reasonably determined by us.

D. OPERATIONS MANUALS AND TRAINING DOCUMENTS.

During the Term, we will provide you with access to one (1) set of the Operations Manuals and training documents, in paper or electronic form (which could include audiotapes, videotapes, compact disks, computer software and/or other electronic media). The Operations Manuals contain mandatory and suggested specifications, standards, operating procedures, and rules (“System Standards”) that we periodically prescribe for operating a Habit Burger

Restaurant and information on your other obligations under this Agreement. We may modify the Operations Manuals and training documents periodically to reflect changes in System Standards.

You agree that the Operations Manuals and related documents' content are Confidential Information (defined below) and should be maintained in accordance with Section 6 of this Agreement. You will not disclose the Operations Manuals to any person other than Restaurant employees only to the extent reasonably necessary for the operation of the Restaurant pursuant to this Agreement. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manuals.

At our option, we may post some or all of the Operations Manuals or training documents on a restricted website or extranet to which you will have access. If we do so, you agree to monitor and access the website or extranet for any updates to the Operations Manuals or System Standards. Any passwords or other digital identifications necessary to access the Operations Manuals on a website or extranet will be deemed to be part of Confidential Information.

E. **DELEGATION OF PERFORMANCE.**

We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

5. **MARKS.**

A. **OWNERSHIP AND GOODWILL OF MARKS.**

Your right to use the Marks is derived only from this Agreement and limited to your operating the Restaurant according to this Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Restaurant under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after the Term contest or assist any other person in contesting the validity, or our ownership, of the Marks.

B. **LIMITATIONS ON YOUR USE OF MARKS.**

You agree to use the Marks as the Restaurant's sole identification, except that you agree to identify yourself as its independent owner in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage,

electronic address, or otherwise in connection with a website, or (5) in any other manner that we have not expressly authorized in writing.

You may not use any Mark in advertising the transfer, sale, or other disposition of the Restaurant or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Restaurant and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

D. DISCONTINUANCE OF USE OF MARKS.

We will have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Habit Burger Restaurants operating under the System if the current Marks can no longer be used, or if we, in our sole discretion, determine that substitution of different marks will be beneficial to the System. In such event, we may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute marks within a reasonable time after receiving notice. Our rights in this Section 5.D. apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement.

6. CONFIDENTIAL INFORMATION.

Neither you nor your owners will, during the Term and thereafter, acquire any interest in the Confidential Information, other than the right to use the Confidential Information in operating the Restaurant during the Term. You acknowledge that Confidential Information gives us a competitive advantage over others who do not have this information, and that we will be harmed if the Confidential Information were disclosed other than in compliance with this Agreement and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You agree to disclose the Confidential Information to your owners and employees only to the extent reasonably necessary for the operation of the Restaurant pursuant to this Agreement. Confidential Information is proprietary to us, includes trade secrets owned by us and our affiliates, and is disclosed to you solely on the

condition that you agree, and you do hereby agree, that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the Term; (iii) will not make unauthorized copies or use of any portion of the Confidential Information; (iv) will not use or rely upon Confidential Information as the basis to purchase, sell or otherwise acquire, dispose or transfer shares of Yum! Brands, Inc., (v) upon the expiration or termination of this Agreement, you will return to us such Confidential Information as we request which is then in your possession or, upon our request, destroy all or certain such Confidential Information and certify such destruction to us, and (vi) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Restaurant personnel and others. For the purpose of this document, “Confidential Information” means all proprietary and confidential information provided by us to you or other generated in connection with the establishment and operation of the Restaurant, including, without limitation: (i) our standards and specifications, including equipment, product, services, and supplier standards and specifications; (ii) site selection criteria; (iii) advertising and marketing plans and programs; (iv) research, development and test programs for products, services and operations; (v) the contents of the Operations Manual; (vi) knowledge of the operating and financial results of Habit Burger Restaurants, other than the Restaurant; (vii) computer programs and systems, including electronic data files and passwords, (viii) customer lists, records and data; (ix) Improvements (as defined below); and (x) any information designated by us as Confidential Information.

(1) These covenants will survive the expiration, termination or transfer of this Agreement or any interest herein and will be perpetually binding upon you and each of your owners.

(2) We will require and obtain, and you will cause, the execution of covenants similar to those set forth in this Section 6 from all of your owners not signing the Guaranty and Assumption Agreement, from all District Managers, and, at our request, any Restaurant Managers or other of your personnel who have access to Confidential Information.

(3) If you, your employees, or owners develop any new concept, recipe, process or improvement in the operation or promotion of the franchised business (“Improvements”), you must promptly notify us and provide us with all necessary related information, without compensation. All Improvements will become our sole property and we will be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. You and your owners hereby assign to us any rights you may have or acquired therein, including the right to modify such Improvements, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. You and your owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Improvements in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your owners hereby irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any Improvements. In the event that the foregoing provisions of this Section 6 are found to be

invalid or otherwise unenforceable, you and your owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvements to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your rights therein.

7. **EXCLUSIVE RELATIONSHIP; NON-COMPETITION.**

You and your owners acknowledge that, pursuant to this Agreement, you will receive access to valuable training, trade secrets and Confidential Information which are beyond your present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. You and your owners further acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage, and that gaining access thereto is a primary reason for entering into this Agreement. You therefore agree that, neither you, any of your owners, nor any of your or your owners' spouses will, during the Term:

- (a) have any direct or indirect controlling or non-controlling interest as an owner, whether of record, beneficially, or otherwise, in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);
- (b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
- (c) divert or attempt to divert any actual or potential business or customer of the Restaurant to a Competitive Business; or
- (d) engage in any other activity which might injure the goodwill of the Marks and System.

The term "Competitive Business" means any restaurant or other food-service business which derives (or expects to derive) more than twenty percent (20%) of its revenue from selling hamburgers. For the avoidance of doubt, Competitive Business includes any business that franchises or licenses a business which derives (or expects to derive) more than twenty percent (20%) of its revenue from selling hamburgers.

You and your owners agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or other business interests. If all or any portion of a covenant in this Section 7 is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which we are a party, you and your owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 7. You and your owners further acknowledge

that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section 7 without your consent, effective immediately upon notice to you; and you and your owners agree that you will promptly comply with any covenant as so modified.

You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

8. **SYSTEM STANDARDS.**

A. **STANDARDS COMPLIANCE**

You acknowledge the importance of maintaining uniformity among all of the Habit Burger Restaurants and the importance of complying with all of our standards and specifications relating to the operation of the Habit Burger Restaurants. To protect our reputation and goodwill and to maintain the high standards of operation under the Marks, you must conduct your business in accordance with the Operations Manual, other written directives which we may issue to you from time to time, and any other manuals and materials created or approved for use in the operation of Habit Burger Restaurants. You understand and acknowledge that we may from time to time modify the Operations Manual and the System Standards. You agree to incorporate such modifications, as and when required, into the operations of, including the delivery of the customer experience at, your Restaurant. You also understand and agree that such modifications may obligate you to invest additional capital or incur higher operating costs. Notwithstanding the foregoing, if in our reasonable judgment local conditions or other special circumstances warrant a deviation from the System Standards, then we may allow such deviation.

B. **CONDITION AND APPEARANCE OF THE RESTAURANT.**

You must purchase or lease and install, at your expense, all fixtures, furnishings, equipment (including Computer System (as defined in Section 8.F.)), decor items, signs, and related items that we may reasonably direct from time to time in the Operations Manual or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Premises, without our prior written consent, any fixtures, furnishings, equipment, decor items, signs or other items not previously approved as meeting our System Standards, as set forth in the Operations Manual. You will maintain the Restaurant in a high degree of sanitation and repair, and will make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, décor, and required maintenance and repair of equipment (including, but not limited to, point of sale or Computer System) as required by the System Standards or as we may otherwise reasonably direct.

C. **PERIODIC REMODEL.**

At our request, which shall not be more often than once every seven (7) years during the Term, you must remodel and refurbish the Restaurant and upgrade the Restaurant's assets at your

expense (the “Periodic Remodel”) to conform to the then-current System Standards. The Periodic Remodel may include without limitation, remodeling, redecoration, structural changes, and modifications to existing improvements and equipment. You must obtain our prior written approval as to the exact scope of the Periodic Remodel required for the Restaurant. You will be responsible for any and all costs and expenses incurred in connection with the Periodic Remodel.

We retain the right at any time and with any frequency in our sole discretion to adopt and impose new System Standards requiring improvements to your Restaurant including new equipment and new technology, which may require certain limited structural alterations and/or accommodations.

D. RESTAURANT MENU, SPECIFICATIONS, STANDARDS AND PROCEDURES.

You will operate the Restaurant in strict conformity with the System Standards as set forth in the Operations Manual and as from time to time otherwise prescribed by us in writing. Without limitation of the foregoing, you agree:

(1) To sell or offer for sale all Menu Items, products and services required by us utilizing the method, manner and style of distribution prescribed by us. Distribution methods may include, but are not limited to, dine-in and carry-out services, and must be expressly authorized by us in writing, in the Operations Manual or otherwise.

(2) To sell and offer for sale only the Menu Items, products and services that have been expressly approved for sale in writing by us; to immediately discontinue selling and offering for sale any menu items, products or services and any method, manner or style of distribution which we may, in our sole discretion, disapprove in writing at any time; and to refrain from deviating from the System Standards without our prior written consent.

(3) To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies and paper goods that conform to the System Standards; to prepare all menu items in accordance with our recipes and procedures for preparation contained in the Operations Manual or other written directives, including, but not limited to, using the brand and/or type of ingredients required by us and the prescribed measurements of ingredients; and to refrain from deviating from the System Standards by the use or offer of non-conforming items or differing amounts of any items, without our prior written consent.

(4) To permit us or our agents, at any reasonable time, to remove samples of food or non-food items from the Restaurant, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether such samples meet our then-current System Standards. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform with our specifications.

(5) To grant us and our agents the right to enter the Restaurant and, in our discretion, to examine any motor vehicle used in connection with Restaurant operations at any time for the

purpose of conducting inspections; to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents and without limiting our other rights under this Agreement, to take such steps as may be necessary to correct promptly any deficiencies detected during an inspection. Should you, for any reason, fail to correct such deficiencies within a reasonable time, as determined by us, we will have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge you a reasonable fee for our expenses in so taking the corrective action (including, without limitation, any necessary re-inspection). Any such fee is payable by you immediately upon demand.

(6) To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that your employees preserve good customer relations and comply with any dress code we may prescribe.

(7) To have at least one (1) Restaurant Manager on duty at the Restaurant during all hours of operation.

(8) To allow us to test food products, equipment, and/or methods of operation at the Restaurant, from time to time, pursuant to our then-current test agreement.

E. **SOURCING.**

You must comply with all of our System Standards relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Restaurant. If we have approved suppliers for any such item (including manufacturers, distributors and other sources), you must obtain these items from those suppliers. Our approved suppliers are those who continue to demonstrate the ability to meet our then-current System Standards for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Habit Burger Restaurants and who possess adequate quality controls and capacity to supply your needs and distribute promptly and reliably over an extended period of time; and who have been approved in writing by us prior to any purchases by you from any such supplier and who have not thereafter been disapproved by us. We may designate ourselves or an affiliate or a third party as the sole approved suppliers of any item.

If you desire to purchase, lease or use any products or other items from an unapproved supplier, you must submit to us a written request for such approval, or must request the supplier itself to do so. You must not purchase or lease from any supplier until and unless such supplier has been approved in writing by us. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us for testing. A charge, not to exceed the cost of the inspection and of the test (including our administrative costs attributable to both), must be paid by you or the supplier. We reserve the right, at our option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of our then-current criteria as determined in our sole discretion. Nothing in the foregoing will be construed to require us to approve any particular

supplier. Your failure to comply with the provisions of this Section 8.E. will be deemed a material breach under this Agreement.

F. COMPUTER SYSTEM.

You agree to obtain and use any computer hardware and/or software we specify from time to time (the “Computer System”). In addition, we require you to use polling software and online management tools that we specify to enable us to access retrieve electronically any information stored in your Computer System, including, without limitation, information concerning the Restaurant’s Gross Sales. All information contained in and collected by any such computer program (including, but not limited to, information pertaining to customers of the Restaurant) is considered Confidential Information and will be our sole and exclusive property. You also agree to maintain a functioning e-mail address and to ensure that we have your then-current e-mail address at all times.

We may modify specifications for and components of the Computer System, polling software and online management tools from time to time and you agree to comply with such modified specifications as and when required. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement’s remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support, which might include fees payable to us and/or our affiliates. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly. You may be required to purchase such newly developed modes of computerization (including new technologies), as well as improvements to or modifications of your existing technologies (including computer, tablet and point-of-sale systems), from us, our affiliates, or designated third parties and, in connection therewith, enter into related license and support agreements with us, our affiliates, or designated third parties and pay all related fees, including fees to support our online and smartphone “app” ordering systems. We reserve the right to charge license, support, maintenance and other technology fees separately or in the aggregate and to change the basis of the allocation of any fees from time to time to reflect: (i) any increase or decrease in the costs and expenses providing the applicable services, or (ii) any change in the competitive needs of the System, including the right to change the basis for charging such fees, so long as the charges are computed on a fair and consistent basis among similarly situated Restaurants receiving the services for utilizing the applicable systems. We may also from time to time adjust requirements pertaining to capturing and relaying to us customer information and data. You acknowledge and agree that all customer information and data arising out of or collected in connection with the operation of the Restaurant is Confidential Information and we are the sole owner of all right, title, and interest in and to such customer information and data in accordance with Section 6 of this Agreement.

You agree that we, our affiliates or third-parties that we require you to license software from, may condition any license of software to you, or your use of such technology, on your signing a software license agreement or similar document that we, our affiliates or such third-party providers prescribe to regulate your use of, and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you or we require you to license from a third-party and for other maintenance and support services that we, our affiliates or a third-party may provide during the Term.

Despite the fact that you agree to buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, you agree that you will cause the Restaurant to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards ("PCI DSS") council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy, cybersecurity and protection of credit card information, including but not limited to the Fair and Accurate Credit Transaction Act ("FACTA") and all other successor or additional laws, and all other data security requirements we prescribe. You are solely responsible for educating yourself as to these regulations and standards and for achieving and maintaining applicable compliance certifications.

G. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

In addition to complying with your obligations under this Agreement, you agree to comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the Term. Without limiting the foregoing, you certify that neither you nor any of your owners, employees or anyone associated with you is listed in connection with any Anti-Terrorism Law, including, but not limited to, the Annex to Executive Order 13224, and you agree not to hire or have any dealings with a person so listed. You further certify that you have no knowledge or information that, if generally known, would result in you, your owners, employees, or anyone associated with you being so listed. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, you represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your owners are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions you

must take to comply with all Anti-Terrorism Laws, and you specifically acknowledge and agree your indemnification responsibilities as provided in this Agreement pertain to your obligations under this Section 8.G. Any misrepresentation by you under this Section 8.G. or any violation of the Anti-Terrorism Laws by you, your owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or any of our affiliates.

H. MANAGEMENT OF THE RESTAURANT/CONFLICTING INTERESTS.

Upon the execution of this Agreement, you must designate, and must retain at all times during the Term, an individual to serve as your Managing Owner. If you are an individual, you must perform all obligations of the Managing Owner. The Managing Owner for all Habit Burger Restaurants operated by you and, if applicable, your affiliates, must be the same person, and the Managing Owner under this Agreement and if applicable, under the Area Development Agreement pursuant to which this Agreement is executed must be the same person.

(1) The Managing Owner must maintain a direct or indirect ownership interest of not less than ten percent (10%) in you. Except as may otherwise be provided in this Agreement, the Managing Owner's interest in you must be and remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options. The Managing Owner must execute this Agreement, and must be individually, jointly and severally, bound by all your obligations hereunder.

(2) Notwithstanding Section 8.H.(1), you may, at your option and subject to our written consent, designate a district manager to supervise the operation of your Habit Burger Restaurant ("District Manager"); provided, that the District Manager for all Habit Burger Restaurants operated by you and, if applicable, your affiliates, must be the same person, and the District Manager under this Agreement and the Area Development Agreement pursuant to which this Agreement is executed must be the same person; and provided further, that you and your Managing Owner will remain fully responsible for District Manager's performance. The District Manager, if appointed, must execute the "Confidentiality Agreement and Ancillary Covenants" attached as Exhibit E to this Agreement.

(3) Unless a District Manager is designated pursuant to Section 8.H.(2), your Managing Owner must devote full time and best efforts to the supervision of the Habit Burger Restaurants operated by you and, if applicable, your affiliates, and, without our written consent, must not engage in any other business. The foregoing provision will not apply if a District Manager is designated, provided, the District Manager must devote his or her full time and best efforts to the supervision and operation of the Habit Burger Restaurant business conducted by you and, if applicable, your affiliates.

(4) You may also appoint several Restaurant-level managers (each, a "Restaurant Manager") to oversee the day-to-day operations of the Restaurant.

(5) The Managing Owner, any District Manager and any Restaurant Manager must meet our qualifications, as set forth in this Agreement, the Operations Manual, or otherwise in writing and, without limitation, must be empowered with authority to act for and on your behalf.

You must promptly notify us within five (5) days if the Managing Owner cannot continue to serve in that capacity or no longer qualifies as such, and must take immediate steps to identify a replacement Managing Owner within a reasonable time, not to exceed fifteen (15) days, thereafter. During such fifteen (15) day period, you must provide for interim management of your operations in accordance with this Agreement. Any failure to comply with this Section 8.H. will be a material breach of this Agreement.

I. INSURANCE.

During the Term you must maintain in force at your sole expense comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Restaurant's operation, all containing the minimum liability coverage we prescribe from time to time. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Restaurant on your behalf, in which event you will cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

J. PRICING.

We reserve the right, to the fullest extent permitted by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products and services.

K. FINANCIAL REQUIREMENTS.

We reserve the right to require, at our sole discretion, that you meet certain financial requirements, which may include the requirement to maintain (i) a minimum working capital reserve, (ii) a minimum debt service coverage ratio, (iii) a maximum amount of incurred debt, (iv) a minimum balance in the bank account utilized to make payments to the us; and (v) any other reasonable financial health metrics required by us. We will provide such requirements to you in writing and they will become effective thirty (30) days after we provide written notice of such requirement(s) to you.

L. COMPLAINTS; CLAIMS; SAFETY, HEALTH AND OTHER VIOLATIONS.

You must process and handle all consumer complaints connected with or relating to the Restaurant, and shall within twenty-four (24) hours, notify us by telephone and in writing of all of the following complaints: (i) food related illnesses, (ii) safety or health violations, (iii) claims exceeding One Thousand Dollars (\$1,000.00), and (iv) any other material claims against or losses suffered by you.

M. COUPONS, CERTIFICATES AND VOUCHERS.

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention program that we (or our affiliates) implement, at your expense, for all or part of our franchise system and shall sign the forms and take the other action that we require in order for you to participate in such programs. Without limitation, you shall honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Habit Burger Restaurants and will utilize a vendor approved by us for gift card processing. You may not offer any coupon without our prior written approval.

9. MARKETING.

A. GRAND OPENING ADVERTISING.

You must spend at least Ten Thousand Dollars (\$10,000) on a grand opening advertising and promotional program (“Grand Opening Expenses”). We must approve your plan for the program. You must submit receipts and other evidence confirming such expenditures following completion of the program. A lower expenditure may be acceptable upon approval from our Marketing Department.

B. ADVERTISING EXPENDITURES.

You may be required to contribute the then-currently required percentage of the Restaurant’s Gross Sales to the Fund described in Section 9.D., at the time and in the manner that Royalty payments are made. In addition, we may require you to spend the then-currently required percentage of the Restaurant’s Gross Sales on local advertising (“Local Spend”), as described in Section 9.C. Upon reasonable written notice to you, which need not be more than thirty (30) days, we may vary the amount that you are required to contribute to the Fund and spend as the Local Spend (collectively, the “Advertisement Assessment”), provided, that in no event will your Advertisement Assessment exceed four and a half percent (4.5%) of the Restaurant’s Gross Sales in a calendar year.

C. LOCAL ADVERTISING.

The Local Spend must be spent on advertising for your Restaurant in the local market area. Within fifteen (15) days following the end of each calendar quarter, you will submit a quarterly advertising expenditure report to us, accurately reflecting your Local Spend for the

preceding quarter. Expenditures incurred for any of the following may not be included in the Local Spend for purposes of this Section 9.C., unless we first approve them in writing:

- (1) Incentive programs for your employees or agents, including the cost of honoring any discounts or coupons, and salaries and expenses of any of your employees,
- (2) Non-media costs incurred in any promotion;
- (3) Charitable, political or other contributions or donations;
- (4) In-store materials consisting of fixtures or equipment;
- (5) The cost of local business listings in printed or internet media; and
- (6) Grand Opening Expenses incurred pursuant to Section 9.A.

You will place and pay the cost of business listings in such directories and categories as may be specified by us from time to time in the Operations Manual or otherwise in writing. Amounts paid for business listings will not be credited toward any other of your obligation under this Section 9.

D. **ADVERTISING FUND.**

We have established a fund to produce advertising for the System (the “Fund”). You must contribute to the Fund the amounts required under Section 9.B. of this Agreement, at the time and in the manner specified therein. We or our designee will administer the Fund as follows:

- (1) We will direct all advertising production programs and will have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs.
- (2) We may use the Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising, including, but not limited to, the cost of preparing and producing television, radio, magazine and newspaper advertising campaigns; the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; consumer and product research; the cost of developing and maintaining digital advertising (including internet website and social media platforms); and personnel and other departmental costs for advertising that we internally administer or prepare.
- (3) The Fund will be operated solely as a conduit for collecting and spending advertising contributions for the System. Your contributions will not be used to defray any of our general operating expenses, except for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund. The Fund and its earnings will not otherwise inure to our benefit.
- (4) We will prepare an annual statement of the Fund’s operations and will make it available to you upon request. In administering the Fund, we undertake no obligation to make

expenditures for you which are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the production of advertising.

(5) Although the Fund is intended to be of perpetual duration, we may terminate it. We will not terminate the Fund, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

E. MERCHANDISE MATERIALS.

We may, from time to time and at our sole discretion, produce and provide to you certain merchandising materials identifying the System and to support national promotions, such as menu panels, point of purchase advertising materials, and System memorabilia (collectively, "System Merchandise"). We or our third party vendor will invoice you for these materials and you agree to pay for the materials. Alternatively, we may establish a fund (the "Merchandise Fund") that will be used to defray our costs of creating and producing System Merchandise for all Habit Burger franchisees and you agree to pay the then current required amount to the Merchandise Fund. Contributions to the Merchandise Fund may be adjusted at any time with sixty (60) days' prior written notice to you. Contributions to the Merchandise Fund will be due and payable at the same time as the Royalty set forth in Section 3.B.

F. ADVERTISING APPROVALS.

All advertising and promotion conducted by you in any medium must be conducted in a dignified manner and must conform to our standards and specifications. You must obtain our approval of all advertising and promotional plans and materials, including, without limitation, those placed online, prior to use if such plans and materials have not been prepared or previously approved by us during the twelve (12) month period immediately preceding their proposed use. You must submit any unapproved plans and materials to us, and we will approve or disapprove such plans and materials within twenty (20) days after receiving them. If we do not respond within twenty (20) days following our receipt of your proposed advertising plans or materials, then the proposed advertising plans or materials will be deemed to be disapproved by us. You must not use any plans or materials that have not been approved by us in advance, and must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a book-keeping, accounting, and recordkeeping system conforming to the System Standards and requirements and formats we prescribe from time to time. We may require you to use the Computer System to maintain certain sales data and other information such as all health and safety records required by law and to report such information to us via a website or other means (other than employee-related

information). You agree to furnish to us in the manner and format that we prescribe from time to time:

(a) on or before the sixth (6th) business day of each calendar month, a report on the Restaurant's Gross Sales during the immediately preceding calendar month;

(b) within fifteen (15) days after the end of each calendar quarter, the operating statements, financial statements, statistical reports, purchase records, and other information we request regarding you and the Restaurant covering the previous calendar quarter and the fiscal year to date;

(c) by April 15th of each year, annual profit and loss and source and use of funds statements and a balance sheet for the Restaurant as of the end of the prior calendar year;

(d) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to the Restaurant and the franchised business;

(e) within fifteen (15) days after the end of each calendar quarter, consolidated financial statements for all entities that have a direct or indirect ownership interest in one or more Restaurants;

(f) by April 15th of each year, for all entities that have a direct or indirect ownership interest in one or more Restaurants:

- consolidated financial statements audited by an independent third-party accounting firm which include the minimum balance statement, income statement and cash flow statement;
- the annual working capital plan for the next 3 years;
- list of all credit facilities and copies of all credit agreements related thereto;

(g) on an annual basis, no later than one hundred twenty (120) days following the end of your fiscal year, for all entities that have a direct or indirect ownership interest in one or more Restaurants, projections for the next three (3) fiscal years of (i) indebtedness, interest expenses / payments, and leverage ratio calculations (as required under any of the their credit facilities), (ii) capital expenditures in respect of the acquired Restaurants (and any Habit Burger Restaurants acquired or opened in the future by any entity or individual that has direct or indirect ownership interest in you), and (iii) distributions made by you or any of your parent entities; and

- (h) any other information that we may reasonably request from time to time.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. Moreover, we may, as often as we deem appropriate (including on a daily basis), access the Computer System and retrieve all information relating to the Restaurant's operation (other than employee-related information).

You agree to preserve and maintain all records in a secure location at the Restaurant for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, general ledgers, and health and safety records required by applicable law). We may require you to have audited financial statements prepared annually during the Term. If you fail to provide any record, report or other information that is required pursuant to this Section 10, within fifteen (15) days of the designated deadline, we may charge you a late fee of Two Thousand Dollars (\$2,000). A failure to provide such information within thirty (30) days of the designated deadline constitutes a material breach of this Agreement and may result in termination pursuant to Section 13 of this Agreement.

11. **INSPECTIONS AND AUDITS.**

A. **OUR RIGHT TO INSPECT THE RESTAURANT.**

To determine whether you and the Restaurant are complying with this Agreement and all System Standards, we and our designated agents or representatives may at any time and without prior notice to you: (1) inspect the Restaurant; (2) photograph the Restaurant and observe and videotape the Restaurant's operation for consecutive or intermittent periods we deem necessary; (3) remove samples of any products and supplies; (4) interview the Restaurant's personnel and customers; and (5) inspect and copy any books, records, and documents relating to the Restaurant's operation. You agree to cooperate with us and our representatives fully in connection with all such activities. If we exercise any of these rights, we will not interfere unreasonably with the Restaurant's operation.

B. **OUR RIGHT TO AUDIT.**

We may at any time during your business hours, and without prior notice to you, examine your (if you are an Entity) and the Restaurant's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. We may do so through a physical audit and/or by electronic means. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of the Restaurant's Gross Sales, you agree to pay us, within fifteen (15) days after receiving the examination report, the Royalty, Technology Fee and Advertisement Assessment due on the amount of the understatement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as

required, or to furnish these items on a timely basis, or if our examination reveals a Royalty, Technology Fee or Advertisement Assessment understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. **TRANSFER.**

A. **BY US.**

You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any other agreement, and delegate any of our obligations under this Agreement and any other agreement, to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

B. **BY YOU.**

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted you this Agreement in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, experience and financial resources and capacity. Accordingly, you may not transfer your rights and duties related to this Agreement without our prior written approval, including, but not limited to, transfers of: (i) this Agreement (or any interest in this Agreement); (ii) the Restaurant (or any right to receive all or a portion of the Restaurant's profits or losses or capital appreciation related to the Restaurant); (iii) substantially all of the assets of the Restaurant; (iv) any ownership interest in you (regardless of your size); or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of the Restaurant's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a material breach of this Agreement, is null and void and has no effect.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes, without limitation, the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;

- (c) any sale of a security convertible to an ownership interest;
- (d) transfer of an interest in you, this Agreement, the Restaurant or substantially all of your assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;
- (e) if you, one of your owners, or an owner of one of your owners dies, a transfer of an interest in you, this Agreement, the Restaurant or substantially all of your assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- (f) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the Restaurant, or your transfer, surrender, or loss of the Restaurant's possession, control, or management.

You may grant a security interest (including a purchase money security interest) in the Restaurant's assets (not including this Agreement) to a lender that finances your acquisition, development, and/or operation of the Restaurant without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

If you (and your owners) are fully complying with this Agreement, then, subject to the other provisions of this Section 12, we may approve a transfer that meets all of the requirements in this Section 12.

For any proposed transfers (including a transfer of this Agreement, a transfer of a controlling ownership interest in you or one of your owners, or a transfer which is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in you or one of your owners) we may require any or all of the following conditions to be met before or concurrently with the effective date of the transfer:

- (1) the transferee meets our qualifications for franchisees related to character, skill, aptitude, attitude, business ability, experience and financial resources and capacity to operate the Restaurant;
- (2) you have paid the Royalty, Technology Fee and Advertisement Assessment, and other amounts owed to us, our affiliates, and third party vendors; have submitted all required reports and statements; and have not violated any provision of this Agreement, the lease, or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;
- (3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee (or its managing owner) satisfactorily completes our brand standard initial training program;

(5) your landlord allows you to transfer the lease or sublease for the Premises to the transferee;

(6) the transferee will (if the transfer is of this Agreement), or you will (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty, Technology Fee and the Advertisement Assessment, provided, however, that the term of the new franchise agreement signed will equal the remaining term under the transferor's franchise agreement for the Restaurant, as long as the transferee may maintain possession of the Premises for the duration of that period;

(7) you or the transferee pays us the then current transfer fee;

(8) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

(9) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Restaurant are subordinate to the transferee's obligation to pay Royalties, Technology Fee and Advertisement Assessment, and other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement;

(10) you have corrected any existing deficiencies of the Restaurant of which we have notified you, and/or the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, and refurbish the Restaurant in accordance with our then current requirements and specifications for Habit Burger Restaurants within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken);

(11) you and your transferring owners (and your and your owners' spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities proscribed in Section 14.D. below; and

(12) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Habit Burger Restaurants you own and operate) identify yourself or themselves or any business as a current or former Habit Burger Restaurant franchisee or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Habit Burger Restaurant in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

We may review all information regarding the Restaurant that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the Restaurant.

D. YOUR DEATH OR DISABILITY.

(1) **Transfer Upon Death or Disability.** Upon your (if you are an individual) or the Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Managing Owner's ownership interest in you, to a third party (which may be your or the Managing Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12, except that no transfer fee will apply. A failure to transfer your interest in this Agreement or the Managing Owner's ownership interest in you within this time period is a breach of this Agreement.

The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Managing Owner from supervising the Restaurant's management and operation.

(2) **Operation Upon Death or Disability.** Upon your or the Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager. The manager must complete our brand standard initial training program at your expense. A new Managing Owner acceptable to us also must be appointed for the Restaurant, and that new Managing Owner must complete our brand standard initial training program, within sixty (60) days after your (or your previous Managing Owner's) date of death or disability.

If, in our judgment, the Restaurant is not being managed properly any time after your or the Managing Owner's death or disability, we may, but need not, assume the Restaurant's management (or appoint a third party to assume its management). All funds from the Restaurant's operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. We may charge you (in addition to the Royalty, Technology Fee and Advertisement Assessment, and other amounts due under this Agreement) Five Hundred Dollars (\$500.00) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, if we (or a third party) assume the Restaurant's management under this subparagraph. We (or a third party) have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Restaurant incurs, or to any of your creditors for any products, other assets, or services the Restaurant purchases, while we (or a third party) manage it.

E. **EFFECT OF CONSENT TO TRANSFER.**

Our consent to a transfer of this Agreement and the Restaurant, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Restaurant's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

F. **OUR RIGHT OF FIRST REFUSAL.**

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and the Restaurant, or an ownership interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Section 12.B. and Section 12.C. above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and the Restaurant. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

(1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);

(2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(3) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and

(4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Section 14.D. below. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee complies with, the conditions in Section 12.B. and Section 12.C. above. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Section 12.B. and Section 12.C. above, you (or your owners) may not move forward with the transfer at all.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Section 12.B. and Section 12.C. above.

13. **TERMINATION OF AGREEMENT.**

This Agreement will terminate immediately upon the occurrence of any of the following events, without notice of termination to you: you or a Principal Owner (as defined below) makes an assignment for the benefit of creditors or admits in writing your insolvency or inability to pay your debts generally as they become due; you or a Principal Owner consents to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; the Restaurant is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or the Restaurant is not vacated within thirty (30) days following the order's entry.

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

- (i) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the Restaurant;
- (ii) you do not open the Restaurant for business within three hundred sixty-five (365) days after the Effective Date;

- (iii) you, your Managing Owner and your manager-level employees do not satisfactorily complete the brand standard initial training program;
- (iv) you abandon or fail actively to operate the Restaurant for three (3) or more consecutive business days, unless you temporarily close the Restaurant for a purpose we approve or because of casualty or government order;
- (v) you (or your owners) make or attempt to make any transfer in violation of Section 12;
- (vi) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony;
- (vii) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;
- (viii) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects the Restaurant's reputation or the goodwill associated with the Marks;
- (ix) you lose the right to occupy the Premises;
- (x) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;
- (xi) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate the Restaurant in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours, after you receive notice from us or any other party;
- (xii) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;
- (xiii) you fail to pay when due any federal or state income, service, sales, or other taxes due on the Restaurant's operation, unless you are in good faith contesting your liability for these taxes;
- (xiv) you understate the Restaurant's Gross Sales three (3) times or more during this Agreement's term or by more than five percent (5%) on any one occasion;
- (xv) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, whether or not we

notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(xvi) you or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(xvii) you fail to provide us a record, report or other information within thirty (30) days of the designated deadline pursuant to Section 10 of this Agreement;

(xviii) you (or any of your owners) breach any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you; or

(ix) you (or any of your owners) fail to cure within the applicable time period any breaches under this Agreement, or any other agreement between you (or any of your affiliates) and us (or any of our affiliates) including, but not limited to, any other franchise agreement, area development agreement, lease or promissory note.

14. **OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

A. **PAYMENT OF AMOUNTS OWED TO US.**

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us, including the Royalty, Technology Fee and Advertisement Assessment, interest, and all other amounts owed to us (and our affiliates) which then are unpaid.

B. **MARKS.**

When this Agreement expires or is terminated:

(1) you may not directly or indirectly at any time or in any manner (except with other Habit Burger Restaurants you own and operate) identify yourself or any business as a current or former Habit Burger Restaurant or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of an Habit Burger Restaurant in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(3) you agree to remove and deliver to us within thirty (30) days all signs, sign-faces, sign-cabinets, marketing materials, forms, and any other materials containing any Mark or any marks that are confusingly similar to any Mark or otherwise identifying or relating to a Habit Burger Restaurant. If you fail to do so within thirty (30) days, we may, at your cost and without

liability to you or third parties for trespass or any other claim, enter the Premises and remove these items from the Restaurant;

(4) if we do not have or do not exercise an option to purchase the Restaurant under Section 14.E. below, you agree promptly and at your own expense to make the alterations we specify in our Operations Manual (or otherwise) to distinguish the Restaurant clearly from its former appearance and from other Habit Burger Restaurants in order to prevent public confusion;

(5) you agree to assign to us all rights to the telephone numbers of the Restaurant and any related telephone directory trademark listings, as well as all rights to any Internet websites, domain names, URLs, listings, services, search engines or systems and any other business listings related to the Restaurant. You will execute all forms and documents required by us, the telephone company, any internet service provider or domain name registrar, or other third party to transfer the telephone service, telephone numbers, domain names and other rights listed above to us. You hereby appoint us as your true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking all action necessary to complete such assignment. This power of attorney will survive the expiration or termination of this Agreement. After the assignment, you will use different telephone numbers, domain names and listings at or in connection with any subsequent business you may conduct; and

(6) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

C. **CONFIDENTIAL INFORMATION.**

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us any copies you made of the Operations Manual and any other confidential materials that we have loaned you.

D. **COVENANT NOT TO COMPETE.**

Upon:

- (1) termination of this Agreement according to its terms and conditions,
- (2) transfer pursuant to Section 12 of this Agreement,
- (3) expiration of this Agreement (if we offer, but you elect not to acquire, a renewal term, or if we do not offer you a renewal term due to your failure to satisfy the conditions for a renewal term set forth in Section 1.E.),

you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 14.D. begin to comply

with this Section 14.D, whichever is later, neither you nor any of your owners will have any direct or indirect interest (e.g., through a spouse) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (as defined in Section 7 above) located or operating:

- (a) at the Premises;
- (b) within a ten (10) mile radius of the Premises; or
- (c) within a ten (10) mile radius of any other Habit Burger Restaurant in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section 14.D. begin to comply with this Section 14.D.

These restrictions also apply after transfers, as provided in Section 12.C.(11) above. If any person restricted by this Section 14.D. refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 14.D. will not deprive you of your personal goodwill or ability to earn a living. You and your owners further acknowledge that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or other business interests. If all or any portion of a covenant in this Section 14.D. is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which we are a party, you and your owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 14.D. You and your owners further acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section 14.D. without your consent, effective immediately upon notice to you; and you and your owners agree that you will promptly comply with any covenant as so modified.

E. OUR RIGHT TO PURCHASE ASSETS OF THE RESTAURANT.

Upon termination of this Agreement, or upon expiration of this Agreement without renewal, we will have the right and option, but not the obligation, to purchase or assume the lease for the Premises and purchase any assets related to the Restaurant at a purchase price equal to its then-current fair market value determined using the straight-line method of depreciation. The age and condition of the improvements, equipment, fixtures, furnishings, decor, and signs of the Restaurant, will also be considered in determining the fair market value. We may exclude from the assets we elect to purchase, cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies that are not necessary or appropriate (in function or quality) to the Restaurant's operation or that we have not approved as meeting the System Standards, and the purchase price will reflect such exclusions. If we and you are unable to agree on the fair market value of the Premises or the Restaurant's assets, or the fair

rental value of the Premises, such fair market value (or fair rental value, as applicable) will be determined by three (3) independent appraisers who collectively will conduct one appraisal. We will appoint one appraiser, you will appoint one appraiser, and those appraisers will appoint the third appraiser. The parties will each bear the cost of their own appraiser and share equally the fees and expenses of the third appraiser. The parties hereby agree that they will instruct the appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment.

If we elect to exercise this option, we will deliver written notice to you of our election within thirty (30) days after the date of termination or expiration of this Agreement. We will have the right to inspect the assets at any time during this thirty (30) day period. We will have the unrestricted right to assign or otherwise transfer the purchased Restaurant (including all purchased assets) or the option to purchase the Restaurant under this Section 14.E., without your consent. If we elect to purchase the assets or transfer the option to purchase the assets, we or our transferee will be entitled to, and you must provide, all customary warranties and representations relating to the assets purchase, including, without limitation, representations and warranties as to the maintenance, function and condition of the equipment and your good title to the Premises (if applicable) and equipment (including that you own the equipment free and clear of any liens and encumbrances); validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; and a general release.

F. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

G. LOST REVENUE DAMAGES

If we terminate this Agreement because of your breach, you agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the reduction in brand awareness, loss of goodwill and loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalty, Technology Fee and Advertisement Assessment, that we would have otherwise derived through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the "Lost Revenue Damages"), is an amount equal to the net present value of the Royalty payments (in accordance with Section 3.B.), Technology Fee (in accordance with Section 3.C.) and Advertisement Assessment (in accordance with Section 9) that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) three (3) years following the date of such termination, or (b) the scheduled expiration of the Term (the "Loss Period"). For the purposes of this Section 14.G., Lost Revenue Damages will be calculated as follows: (i) the number of calendar months in the Loss Period, multiplied by (ii) the sum of (a) the aggregate of the Royalty fee and the Advertisement Assessment percentages, multiplied by the "Average Monthly Gross Sales" (defined as the average monthly Gross Sales of your Restaurant during the 12 full calendar

months immediately preceding the termination date), and (b) the aggregate of the Technology Fee and the required contribution to the Merchandise Fund. However, if as of the termination date, your Restaurant has not been operating for at least 12 months, the “Average Monthly Gross Sales” will be the average monthly Gross Sales of all Habit Burger Restaurants operating under the Marks during the entirety of our fiscal year immediately preceding the termination date, for purposes of the calculation in the preceding sentence.

You agree to pay us Lost Revenue Damages, as calculated in accordance with this Section 14.G., within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine. You and we agree that recovery of Lost Revenue Damages is not an exclusive remedy and that the calculation described in this Section 14.G. is a calculation only of the Lost Revenue Damages and that nothing herein will preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

15. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

(1) Independent Contractor Relationship. You agree that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm’s-length business relationship, and we owe no duties to you except as expressly provided in this Agreement. You will be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the Term, you will hold yourself out to the public as an independent contractor conducting your Restaurant operations pursuant to the rights granted by us, including but not limited to posting a sign in the Restaurant that states that the Restaurant is “independently owned and operated by [entity name].” Additionally, all employees hired by, or working for, you will be your or your affiliates’ employees and will not, for any purpose, be deemed our employees or subject to our control. We have no authority to hire, fire, promote, or demote any of your employees or take any disciplinary action whatsoever against any of them. You must communicate to all employees that you, not us, are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will 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.

You promise that you will not avail yourself of any rights or remedies at law or in equity that may arise from an assertion that: (i) you are our agent, legal representative, subsidiary, joint venturer, partner, employee, or servant; or (ii) we are a joint employer for your employees. If such a claim is brought against us, we may use your covenant in this Section 15.A.(1) as an absolute defense against such claim. Further, If any such claim is brought against us or affiliates and subsidiaries, and their respective current and former officers, directors, shareholders, partners, employees, predecessors, successors, attorneys, agents, representatives, and assigns, you will indemnify, defend, and hold harmless any such party from and against any such claim.

(2) No Authority. Nothing in this Agreement authorizes you or any of your owners to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and we shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any of yours or your owners' acts or omissions or any claim or judgment arising therefrom.

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Restaurant's operation or the business you conduct under this Agreement.

C. TAXES.

In addition to any sales, use, excise, privilege or other transaction taxes that we are required or permitted by law to collect from you for the sale, lease or other provision of goods or services under this Agreement, you must pay to us an amount equal to all federal, state, local or foreign (i) sales, use, excise, privilege, occupation or any other transactional taxes, or (ii) any other taxes or similar exactions no matter how designated (excluding only taxes imposed on us for the privilege of conducting business and calculated with respect to our net income, capital, net worth, gross receipts, or some other basis or combination thereof, but not excluding any gross receipts taxes imposed on us for your payments intended to reimburse us for expenditures incurred for the benefit and on behalf of you), that are imposed on us or required to be withheld by you in connection with the receipt or accrual of Royalties or any other amounts payable by you to us under this Agreement or any related agreement. Any additional required payment pursuant to the preceding sentence will be made in an amount necessary to provide us with after tax receipts (taking into account any additional payments required hereunder), equal to the same amounts we would have received under the provisions of this Agreement if such additional tax liability or withholding had not been imposed or required.

D. INDEMNIFICATION.

(1) Indemnity. You and each of your owners must, at all times, indemnify and hold harmless to the fullest extent permitted by law us, our affiliates, successors and assigns and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them ("Indemnitees"), from all Losses and Expenses, defined below, incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or relates to this Agreement in any way or which arises out of or is based upon any of the following:

(i) The infringement, alleged infringement, or any other violation or alleged violation by you or any of your owners of any patent, mark or copyright or other proprietary

right owned or controlled by third parties, unless such violation or infringement relates to the use of the Marks or other proprietary information as to which a license has been granted hereunder and such use has been in accordance with this Agreement;

(ii) The violation, breach or asserted violation or breach by you or any of your owners of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;

(iii) Libel, slander or any other form of defamation of us, the System or any franchisee or developer operating under the System, by you or by any of your owners;

(iv) The violation or breach by you or by any of your owners of any warranty, representation, agreement or obligation in this Agreement or in any other agreement with us or any of our affiliates; and

(v) Acts, errors, or omissions by you, any of your affiliates, any of your owners and the respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors servants and employees of any of them in connection with the establishment and operation of the Restaurant including, but not limited to, any acts, errors or omissions of any of the foregoing in the operation of any motor vehicle.

(2) **Defense of Claim.** You and your owners agree to give us immediate notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. You will promptly undertake the defense of any legal action related to any of the matters described in this, and must retain, and notify us not less than forty-eight (48) hours prior to retaining, reputable, competent and experienced counsel to represent the interests of any Indemnitees. We will have the right to approve any counsel engaged to represent the interests of any of the Indemnitees but will not unreasonably withhold or condition that approval. If you or any of your affiliates and the Indemnitees (or any one of them) are named as co-defendants, and there is a conflict of interest between them such that they cannot be represented by common counsel, then the Indemnitees may retain separate counsel at your expense and you will promptly reimburse the Indemnitees for all costs and attorneys' fees incurred upon request and as they are incurred. Indemnitees also will have the right to obtain separate counsel at their own expense, and will have the right to participate in the defense of the action and any discussions regarding compromise or settlement. Indemnitees will not be required to seek recovery from any litigant or any other third party to recover its indemnified losses, expenses and other amounts.

(3) **Remedial Action.** You will not settle or compromise any legal action in which any Indemnitee is a defendant without our prior written consent, which we may grant or withhold in our sole discretion. In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, we may, at any time and without notice, as we, in our judgment deem appropriate, consent or agree to settlements or take such other remedial or corrective action as we deem expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our sole judgment, there are reasonable grounds to believe that:

(i) any of the acts or circumstances enumerated in Section 15.D.(1)(i) - (iv) above has occurred; or

(ii) any act, error, or omission as described in Section 15.D.(1)(v) may result directly or indirectly in damage, injury, or harm to any person or any property.

(4) **Losses and Expenses.**

(i) All Losses and Expenses incurred under this Section 15 will be chargeable to and paid by you or your owners pursuant to your obligations of indemnity under this Section, regardless of any action, activity or defense undertaken by us or the subsequent success or failure of such action, activity, or defense.

(ii) As used in this Section 15, the phrase “Losses and Expenses” will include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys’ fees and costs, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing costs, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, any and all expenses of recall, refunds, compensation, and public notices and all other payments of money incurred in connection with the matters described.

(5) **Contributory Negligence.** The Indemnitees do not assume any liability for acts, errors or omissions of those with whom you or your owners may contract, regardless of the purpose. You and your owners must hold harmless and indemnify the Indemnitees as set forth herein without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties arising in connection therewith.

(6) **No Duty to Mitigate; Survival of Obligations.** Under no circumstances will we be required or obligated to seek recovery from third parties or otherwise mitigate our losses in order to maintain a claim under the indemnity and against you, and our failure to pursue such recovery or mitigate such loss will no way reduce the amounts recoverable by us from you. You and your owners expressly agree that the terms of this Section 15 will survive the termination, expiration or transfer of this Agreement or any interest herein.

16. **ENFORCEMENT.**

A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a renewal term, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. **WAIVER OF OBLIGATIONS.**

No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach by you or your owners under this Agreement will constitute a waiver by us to enforce any such right, option, duty or power against you or your owners, or as to a subsequent breach by you or your owners.

We will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to terminate this Agreement before its term expires due to a breach) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Habit Burger Restaurants; the existence of franchise agreements for other Habit Burger Restaurants which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) Force Majeure; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of any monies owed at the time under this Agreement or excuse any obligations pursuant to Section 8.D. of this Agreement, including, but not limited to, any actions that may (i) threaten the safety or health of customers, employees or the public or (ii) adversely affect the Restaurant's reputation or the goodwill associated with the Marks. For the purpose of this document, "Force Majeure" mean acts of God, strikes, lockouts or other industrial disturbances, war, terrorism, riot, epidemic, pandemic, fire or other catastrophe or other forces beyond your control.

C. COSTS AND ATTORNEYS' FEES.

If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys' and related fees including any fees and costs incurred in connection with collection of any amounts due, obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

D. RIGHTS OF PARTIES ARE CUMULATIVE.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

E. MANDATORY MEDIATION

Except for actions which we may bring in any court of competent jurisdiction (i) for monies owed, (ii) for injunctive or other extraordinary relief, or (iii) involving the possession or disposition of, or other relief relating to, real property, the Marks or the Confidential Information, the parties agree to submit any claim, controversy or dispute between us or any of our affiliates (and our respective shareholders, officers, directors, agents, representatives and/or employees) and you (and your agents, representatives and/or employees, as applicable) arising out of or related to (a) this Agreement or any other agreement between us and you or our respective affiliates, (b) our relationship with you, (c) the validity of this Agreement or any other agreement between us or you or our respective affiliates, or (d) any System Standards, to mediation prior to bringing such claim, controversy or dispute in a court or before any other tribunal. The mediation will be conducted by either an individual mediator or a mediator appointed by a mediation services organization or body experienced in the mediation of disputes between franchisors and franchisees, as agreed upon by the parties and, failing such agreement within a reasonable period of time (not to exceed fifteen (15) days) after either party has notified

the other of its desire to seek mediation, by the American Arbitration Association in accordance with its rules governing mediation. Mediation will be held at our principal place of business. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees and costs incurred by either party), will be borne by the parties equally. If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding under Section 16.F.

F. **JURISDICTION AND VENUE.**

FOR ANY CLAIMS, CONTROVERSIES OR DISPUTES WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED ABOVE, YOU AND YOUR PRINCIPALS HEREBY IRREVOCABLY SUBMIT YOURSELVES TO THE JURISDICTION OF THE STATE AND THE FEDERAL DISTRICT COURTS LOCATED IN THE STATE WHERE OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED. YOU AND YOUR PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION AND AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY BY ANY MEANS ALLOWED BY DELAWARE OR FEDERAL LAW. YOU AND THE PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY SUCH PROCEEDING WILL BE THE COUNTY OR JUDICIAL DISTRICT WHERE OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, THAT WE MAY BRING ANY ACTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (iii) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE MARKS, OR THE CONFIDENTIAL INFORMATION, IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION.

G. **GOVERNING LAW.**

THIS AGREEMENT WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER DELAWARE LAW (EXCEPT FOR DELAWARE CONFLICT OF LAW RULES).

H. **JURY WAIVER.**

YOU HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

I. CLASS ACTION WAIVER.

YOU understand and irrevocably agree that YOU may only pursue any claim against US as an individual legal action or proceeding and may not, under any circumstance, join or combine SUCH legal action or proceeding in any manner with any action or claim of ANY OTHER HABIT BURGER FRANCHISEE or franchised restaurant employee or any other party, nor may YOU maintain or join in any action or proceeding against US OR any of the foregoing in a class action, whether as a representative or as a member of a class or purported class. Further, under no circumstance will YOU seek to consolidate, or consent to the consolidation, OF all or part of any action or proceeding with any other such party(ies).

J. MUTUAL ACKNOWLEDGMENTS.

The parties acknowledge that their agreement regarding applicable state law and forum set forth above provide each of them with the mutual benefit of uniform interpretation of this agreement and any dispute arising out of this agreement or the parties' relationship created by this agreement. Each party further acknowledges the receipt and sufficiency of mutual consideration for such benefit.

K. DAMAGES WAIVER.

You and your owners hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against us, our affiliates, and our officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, you and your owners will be limited to the recovery of any actual damages sustained by them. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) will continue in full force and effect.

L. BUSINESS JUDGMENT.

You, your owners and we acknowledge that various provisions of this Agreement specify certain matters that are within our discretion or judgment of or are otherwise to be determined unilaterally by us. If the exercise of our discretion or judgment as to any such matter is subsequently challenged, the parties to this Agreement expressly direct the trier of fact that our reliance on a business reason in the exercise of our discretion or judgment is to be viewed as a reasonable and proper exercise of such discretion or judgment, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

M. **BINDING EFFECT.**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

N. **LIMITATIONS OF CLAIMS.**

Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a mediation or litigation proceeding is commenced within eighteen (18) months from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

O. **NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES.**

The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

P. **CONSTRUCTION.**

Notwithstanding any other provision in this Agreement or any other agreements between you and us or our respective affiliates, you agree and acknowledge that this Agreement along with each other agreement referenced herein (or executed and delivered in connection with this Agreement), constitutes our and your entire agreement, and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to the subject matter of this Agreement. There are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or the Restaurant (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation made by us in our most recent FDD (including exhibits and amendments) delivered to you or your representative. For the avoidance of doubt, the preambles, exhibits and any addenda or riders signed at the same time as this Agreement are a part of this Agreement.

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in Section 15.D. and Section 16.E., nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval.

The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us and “control” means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the owners of you and the Restaurant, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and the Restaurant or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, you, or the Restaurant and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “controlling ownership interest” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

“Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

“Principal Owner” means each owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such owner is entitled to vote thereon), each owner who owns less than a five percent (5%) ownership interest in you but whose percentage of ownership interest in you, your Habit Burger Restaurants, in other Habit Burger franchisees,

Habit Burger developers and Habit Burger Restaurants in the aggregate equals or exceeds 20% and any other person designated as a Principal Owner in Exhibit A of this Agreement.

Unless otherwise specified, all references to a number of days will mean calendar days and not business days.

The term "Restaurant" includes all of the assets of the Habit Burger Restaurant you operate at the Premises under this Agreement, including its revenue and the lease.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

17. **NOTICES AND PAYMENTS.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

- (a) at the time delivered by hand;
- (b) at the time delivered via computer transmission and, in the case of the Royalty, Technology Fee, Advertisement Assessment, and other amounts due, at the time we actually receive payment via the EDTA;
- (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice to us must be sent to the address specified on the first page of this Agreement, although we may change this address for notice by giving you notice of the new address. Any notice that we send to you may be sent only to the one (1) person identified on Exhibit A, even if you have multiple owners, at the email or postal address specified on Exhibit A. You may change the person and/or address for notice only by giving us thirty (30) days' prior notice by any of the means specified in subparagraphs (a) through (e) above.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

18. **ELECTRONIC MAIL.**

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such

communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (“Official Senders”) to you during the Term.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders’ transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

The consent given in this Section 18 will not apply to the provision of notices by either party under this Agreement pursuant to Section 17 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

FRANCHISE OWNER:

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

EXHIBIT A

**Effective Date: This Exhibit A is current and complete
as of _____, 20__**

Listing of Ownership Interests

1. **Form of Owner.** (Choose (a) or (b)).

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____.

2. **Owners, Principal Owners and Directors/Officers.** The following list includes the full name of each person who is one of your directors, if applicable, officers, owners, an owner of one of your owners, and Principal Owners (as defined in the Franchise Agreement), and fully describes the nature of each of their owner's interest (attach additional pages if necessary).

Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Franchisee: _____ Title (if officer or director): _____	Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Franchisee: _____ Title (if officer or director): _____
Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____	Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____

% of Total Units of Franchisee: _____ Title (if officer or director): _____	% of Total Units of Franchisee: _____ Title (if officer or director): _____
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The following additional individuals are designated as Principal Owners notwithstanding that they do not own the requisite percentage of ownership interests in you:

Name: _____ Name: _____

3. **Name and Address of Person to Receive Notice for Franchise Owner.**

(a) Name:

(b) Postal

Address: _____

(c) E-mail

Address: _____

4. **Identification of Managing Owner.** Your Managing Owner as of the Effective Date is (must be one of the Principal Owners listed in paragraph 2 above). You may not change the Managing Owner without prior written approval.

[Signatures on following page]

HBG FRANCHISE, LLC, a Delaware
limited liability company

By: _____
Name: _____
Title: _____

FRANCHISE OWNER:

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of
entity]

Title of Signatory: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT

THE PREMISES

1. The Premises of the Restaurant will be located at:

[Signatures on following page.]

HBG FRANCHISE, LLC, a Delaware
limited liability company

By: _____
Name: _____
Title: _____

FRANCHISE OWNER:

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of
entity]

Title of Signatory: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT
MEMORANDUM OF OPENING

1. On _____, 20__, HBG Franchise, LLC and _____ entered into a Franchise Agreement for the Restaurant to be located at _____.

2. The Opening Date for the Restaurant was _____, 20__.

3. The term of the Franchise Agreement will expire on _____, 20__, unless sooner terminated in accordance with the terms of the Franchise Agreement.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

FRANCHISE OWNER:

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

EXHIBIT D

LEASE TERMS ADDENDUM

(a) Landlord acknowledges that Tenant is a franchisee of HBG Franchise, LLC (“Franchisor”), and that the Habit Burger Restaurant located at the Premises (“Unit”) is operated under the Habit Burger Restaurant franchise system, pursuant to a franchise agreement (“Franchise Agreement”) between Tenant and Franchisor. Landlord consents to Tenant’s use at the Unit of such marks and signs, decor items, color schemes and related components of the Habit Burger System as Franchisor may prescribe for the Unit. During the term of the Franchise Agreement (including any extensions or renewals), the Premises may be used only for the operation of the Unit.

(b) In the event of any default by Tenant under the Lease, Landlord must give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord must give Franchisor further written notice of such failure (“Franchisor Notice”). Following Franchisor’s receipt of the Franchisor Notice, Franchisor will have the right (but not the obligation) to cure Tenant’s default before Landlord will exercise any of Landlord’s remedies arising as a consequence of Tenant’s default. Any such cure will be effected within fifteen (15) days following Franchisor’s receipt of the Franchisor Notice. Such cure by Franchisor will not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

(c) If Franchisor cures Tenant’s default or notifies Landlord of the termination of the Franchise Agreement (which termination will constitute a non-curable default pursuant to the Lease upon Landlord’s receipt of Franchisor Notice thereof), upon Franchisor’s request, Landlord will exercise its rights under the Lease to remove and evict Tenant from the Premises, and Franchisor will have the right and option, upon written notice to Landlord, to assume the terms, covenants, obligations and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor must enter into an agreement to document such assumption. Franchisor is not a party to the Lease and will have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(d) If, at any time after the assignment contemplated in section (c), Franchisor will notify Landlord that the franchise for the Unit is being granted to another Habit Burger franchisee, Landlord must permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement. Thereafter, Franchisor will be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(e) Tenant will not surrender, terminate, assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor will Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(f) During the term of the Lease and for a reasonable period after the termination, expiration or transfer of either the Lease or the Franchise Agreement, Franchisor (or its authorized representative) shall have the right to enter the Premises to make any modification or alteration necessary to protect the Habit Burger System and Marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors and assigns and the officers, directors, shareholders, partners, employees, agents and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to the Addendum. Landlord acknowledges that Franchisor has a prior right, title and interest in and to any such trademarked property, proprietary software, equipment, furniture and fixtures, notwithstanding any agreement between the Landlord and any lender of the Landlord with respect thereto. Landlord shall also provide Franchisor full access to all sales and other information requested by Franchisor relating to the Unit.

(g) All notices sent pursuant to this Addendum must be sent in the manner set forth in the Lease, and delivery of such notices will be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address will be, 1 Glen Bell Way, Irvine, CA 92618, which address may be changed by written notice to Landlord in the manner provided in the Lease.

(h) The provisions of this Addendum will supersede and control any conflicting provisions of the Lease. Landlord and Tenant acknowledge that Franchisor is an intended third-party beneficiary to this Addendum's terms with an independent right to enforce them against the Tenant and the Landlord. This Addendum amends the Lease between the Landlord and Tenant; except as provided herein, all other Lease terms shall remain unchanged.

EXHIBIT E

CONFIDENTIALITY AGREEMENT AND ANCILLARY

COVENANTS NOT TO COMPETE

This Agreement is made and entered into this ____ day of _____, 20__, between HBG Franchise, LLC, a Delaware limited liability company (“Franchisor”), _____ (“Franchisee”) and _____ (“Covenantor”) in connection with a franchise agreement between Franchisor and Franchisee dated _____, 20__ (“Franchise Agreement”). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of Habit Burger Restaurants.

The System is identified by certain Marks including, the mark “Habit Burger,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate a Habit Burger Restaurant pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

Covenantor must at all times, maintain the confidentiality of the Confidential Information and must use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Restaurant under the Franchise Agreement.

Covenantor must not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

Covenantor must not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Restaurant.

Covenantor must surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

Covenantor must not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

Covenantor acknowledges that Franchisor grants Franchisee access to the Operations Manual for limited purposes only and that the Operations Manual remains the property of Franchisor. Covenantor agrees that no Operations Manual may be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete¹

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to Covenantor, Covenantor agrees that, during the term of his or her association with or employment by Franchisee, Covenantor will not, without Franchisor's prior written consent or as permitted under valid Franchise Agreements for Habit Burger Restaurants:

(a) have any direct or indirect (e.g., through a spouse) controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(c) divert or attempt to divert any actual or potential business or customer of the Restaurant to a Competitive Business; or

(d) engage in any other activity which might injure the goodwill of the Marks and System.

¹If Covenantor is an owner not signing the Owners' Guaranty and Assumption Agreement, delete the Covenants Not to Compete section and replace it with the Owner's Undertaking section.

Covenantor further agrees that for a period of two (2) years following the later of (a) date on which all persons restricted by this Agreement begin to comply with this Agreement or (b) the earlier of (i) the termination of the Franchise Agreement, or (ii) the termination, expiration or transfer of Franchisee's interest in the Franchise Agreement, Covenantor will not, without Franchisor's prior written consent or as permitted the Franchise Agreement, have any direct or indirect interest (e.g., through a spouse) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business located or operating:

(a) at the Premises;

(b) within a ten (10) mile radius of the Premises;

(c) within a ten (10) mile radius of any other Habit Burger Restaurant in operation or under construction on the later of the effective date of the termination or expiration of the Franchise Agreement or the date on which all persons restricted by this Agreement begin to comply with this Agreement.

The term "Competitive Business" means any restaurant or other food-service business which derives (or expects to derive) more than twenty percent (20%) of its revenue from selling hamburgers. For the avoidance of doubt, Competitive Business includes any business that franchises or licenses a business which derives (or expects to derive) more than twenty percent (20%) of its revenue from selling hamburgers.]

Owner's Undertaking

Covenantor also makes all of the covenants, representations, warranties and agreements of the owners set forth in the Franchise Agreement and is obligated to perform thereunder.]

Miscellaneous

1. Franchisee must make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

Covenantor agrees that:

Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The obligations set forth in this Agreement will be tolled for a period of non-compliance.

Each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court having valid jurisdiction in an un-appealed final decision to which we are a party, you and your owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

You and your owners further acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Agreement without your consent, effective immediately upon notice to you; and you and your owners agree that you will promptly comply with any covenant as so modified.

In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor will be entitled, in addition to any other remedies which it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor and Franchisee in enforcing this Agreement.

Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor will not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY APPLICABLE STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT WILL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

THE PARTIES TO THIS AGREEMENT HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice must be addressed to:

HBG Franchise, LLC
1 Glen Bell Way
Irvine, CA 92618
Attention: [redacted]
Telephone: 949-851-8881
Email: [redacted]

If directed to Franchisee, the notice must be addressed to:

Attention: _____
Email: _____

If directed to Covenantor, the notice must be addressed to:

Attention: _____
Email: _____

Any notice will be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next business day, or, in the case of or registered or certified mail, three (3) business days after the date and time of mailing, or, in the case of electronic mail, upon transmission.

The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective affiliates, successors and assigns. The

respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

HBG Franchise, LLC,
A Delaware limited liability company

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

COVENANTOR:

By: _____
Name: _____
Title: _____
Date: _____

* If Franchisor will not be a party, delete reference and modify the agreement to reflect, including the addition of the following third party beneficiary language: “Franchisor and Franchisor’s successors and assigns will be third party beneficiaries of this Agreement, with the full and independent right, at Franchisor’s and their option and in Franchisor’s and their sole discretion, to enforce this Agreement.”

EXHIBIT F

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (the “Guaranty”) is given this ____ day of _____, 20 __

By (list each guarantor):

_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Agreement”) on this date by **HGB FRANCHISE, LLC** (“us,” “we,” or “our”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“Franchisee”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and mandatory mediation requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we 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 (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this Guaranty; and (ii) acceptance and

notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If we are required to enforce this Guaranty in a mediation or judicial proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned must reimburse us for any of the above-listed costs and expenses we incur.

Subject to the mandatory mediation requirements and other dispute resolution provisions in the Agreement, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in the state or federal court of general jurisdiction in the state where our principal place of business is located and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any orders and awards in the courts of the state or states in which he or she is domiciled.

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

Signatures Of Each Guarantor	Percentage Of Ownership In Franchisee
_____	____%
_____	____%
_____	____%
_____	____%
_____	____%

EXHIBIT B-1

AREA DEVELOPMENT AGREEMENT

HBG FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT



DEVELOPER

DEVELOPMENT AREA

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EXHIBITS

- Exhibit A — Development Area
- Exhibit B — Current Form of Franchise Agreement
- Exhibit C — Development Schedule
- Exhibit D — Owners and Designated Principal Owners

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “Agreement”) is made and entered into as of the _____ day of _____, 20__ (the “Effective Date”), by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. PREAMBLES

A. We and our affiliates have designed and developed a method of developing and operating restaurants identified by the Marks (defined below) which specialize in the preparation of premium hamburgers, sandwiches, salads and related products and services (collectively, “Habit Burger Restaurants”).

B. We and our affiliates have developed, and we use, promote and license, certain trademarks, service marks and other commercial symbols in operating Habit Burger Restaurants, including the “The Habit Burger Grill” name, and we may create, use and/or license other trademarks, service marks and commercial symbols for use in operating Habit Burger Restaurants from time to time (collectively, the “Marks”).

C. We offer development rights to develop multiple Habit Burger Restaurants within a Development Area (defined below). You have applied for such development rights, and we have approved your application relying on all of your representations, warranties and acknowledgments contained therein and in this Agreement.

2. DEFINITIONS

For purposes of this Agreement, the terms listed below have the meanings that follow them. Other terms used in this Agreement are defined and construed in the context in which they occur.

“**Affiliate**” - Any person, entity or company that directly or indirectly owns or controls a person or entity, that is directly or indirectly owned or controlled by such person or entity, or that is under common control with such person or entity.

“**Development Area**” - The geographical area(s) described in Exhibit A attached to this Agreement.

“**Development Schedule**” – The schedule of required Habit Burger Restaurant openings reflected on Exhibit C.

“**Franchise Agreement**” - The form of agreement (including exhibits, riders, collateral assignment of leases or subleases, shareholder guarantees and preliminary agreements) that we use in granting franchises for the ownership and operation of a Habit Burger Restaurant in the

state in which the Development Area is located. A copy of the current form of Franchise Agreement is attached to this Agreement as Exhibit B. You acknowledge and understand that we may modify the Franchise Agreement from time to time including the franchise fee and royalty fee payable thereunder.

“Managing Owner” - You will appoint a shareholder, member, or partner, as applicable, to be responsible for overseeing and supervising the operation of all of the RESTAURANTS (as defined below) authorized pursuant to this Agreement. The Managing Owner must be a Principal Owner (defined below) who has an equity ownership interest in you of ten percent (10%) or more (regardless of whether such Managing Owner is entitled to vote thereon). The Managing Owner must maintain his or her primary residence within the Development Area or within a reasonable driving distance from the Development Area, which driving distance must not exceed thirty (30) miles from the Development Area. The Managing Owner as of the Effective Date is identified on Exhibit D. You may not change the Managing Owner without our prior written consent. We may revoke our approval of the Managing Owner if we determine that he or she no longer meets our criteria for managing owners at that time. If we revoke our approval, within thirty (30) days after that revocation, you must appoint a new Managing Owner who we approve.

“Owners” - All persons or entities now or hereafter holding ownership interests in you, any person who has direct or indirect community property rights in you or this Agreement and any person or entity which has any other legal or equitable right in the revenues, profits, rights or assets thereof. The current Owners are identified on Exhibit D.

“Principal Owners” - Each Owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such Owner is entitled to vote thereon), each Owner who owns less than a five percent (5%) ownership interest in you but whose percentage of ownership interest in you, your Habit Burger Restaurants, in other franchisees, developers and Habit Burger Restaurants in the aggregate equals or exceeds 20% and any other person designated as a Principal Owner in Exhibit D of this Agreement. Each of your Principal Owners, including your Managing Owner, during this Agreement's term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us.

“RESTAURANT” - A Habit Burger Restaurant owned and operated by you or another entity authorized pursuant to this Agreement and a Franchise Agreement.

“Site” - Each site selected by you, and approved by us, for the development of a franchised Habit Burger Restaurant.

3. **GRANT, NO EXCLUSIVITY AND TERM**

- A. **Grant of Area Development Rights.** Subject to the terms of this Agreement, we grant you (and/or your Approved Affiliates (defined below)) the right to develop the number of Habit Burger Restaurants shown in Exhibit C within the Development Area that we designate described in Exhibit A to this

Agreement. This Agreement does not grant you or your Approved Affiliates the right to develop Habit Burger Restaurants outside of the Development Area or the right to operate Habit Burger Restaurants. You or your Approved Affiliates will operate Habit Burger Restaurants only in accordance with signed Franchise Agreements. We agree that you may exercise your rights to develop Habit Burger Restaurants by having an Affiliate, in each case subject to our prior written approval (an “Approved Affiliate”), sign each Franchise Agreement. In such cases, you will be required to guaranty the obligations of the Approved Affiliate under the Franchise Agreement.

- B. **No Exclusivity.** You acknowledge and agree that this Agreement does not grant any exclusivity to you. We expressly reserve the right to, and grant others the right to, develop and operate Habit Burger Restaurants anywhere inside and outside the Development Area without any restriction whatsoever and perform any activities not expressly prohibited by this Agreement. We, and our affiliates, may also market and distribute products, using the Marks, anywhere within or outside the Development Area using other channels of distribution (including mail order catalogs, non-traditional locations, food trucks, take-away premises, online networks, and other permanent, temporary or seasonal food service facilities, grocery stores, carts or kiosks) to customers located anywhere in the world.
- C. **Term of Agreement.** This Agreement’s term begins on the Effective Date and ends on the date the last RESTAURANT to be developed under this Agreement opens for business as set forth on Exhibit C, which is (_____, 20__), unless sooner terminated as provided herein.
- D. **Development Efforts.** You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement and that you will continuously exert your best efforts to manage or operate the business you conduct under this Agreement (the “Business”) and promote and enhance the development of Habit Burger Restaurants within the Development Area pursuant to this Agreement.

4. **RESTAURANT DEVELOPMENT REQUIREMENTS**

- A. **Development Obligations.** To maintain your rights under this Agreement, you (and/or your Approved Affiliates) must sign Franchise Agreements for, develop, and have opened for business the minimum number of RESTAURANTS by the dates specified on the Development Schedule set forth in Exhibit C within the Development Area. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are sufficient sites for, the number of RESTAURANTS specified in the Development Schedule. You (and/or the approved affiliated entity) will operate each RESTAURANT under a separate franchise agreement with us. The Franchise Agreement (and related documents) that you (or your Approved

Affiliates) sign for each RESTAURANT will be our then current form of Franchise Agreement (and related documents), any or all of the terms of which may differ substantially from the terms contained in our form of Franchise Agreement attached hereto as Exhibit B. To retain your rights under this Agreement, each RESTAURANT opened pursuant to this Agreement must operate continuously throughout this Agreement's term in full compliance with its franchise agreement.

B. **Failure to Meet Development Obligations.** You acknowledge that your timely development of RESTAURANTS in the Development Area in accordance with the Development Schedule is of material importance to us and agree, as a condition of the continuation of your development rights under this Agreement, to develop, open and operate RESTAURANTS within the Development Area in accordance with the Development Schedule and to insure that such RESTAURANTS operate in accordance with the terms of the Franchise Agreements. If you fail to meet the RESTAURANT'S opening obligations as provided in the Development Schedule, we will have the right to terminate this Agreement or, at our option, reduce the scope of the Development Area, reduce your Habit Burger Restaurant development obligations, and/or take any other action we deem appropriate. Unless specifically acknowledged and agreed, any reduction in your development obligations during any calendar year will not constitute a waiver of your Habit Burger Restaurant development obligations or rights for any subsequent calendar year.

C. **Sites Selection.** You must submit to us a separate application for each RESTAURANT that you wish to develop within the Development Area. You agree to give us all information and materials we request to assess each proposed RESTAURANT site, which may include a description of the proposed site, including a summary of the items listed below, along with a letter of intent, fully negotiated but unexecuted lease, or other evidence confirming your favorable prospects for obtaining the proposed site. We will not conduct site selection activities for you. However, we will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location. We may require that you use a local real estate broker. In granting you the development rights under this Agreement, we are relying on your knowledge of the real estate market in the Development Area and your ability to locate and access sites. We will not unreasonably withhold acceptance of any proposed site if the site meets our then current site criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics. However, we have the absolute right not to accept any site that does not meet these criteria or for any other reason we may determine in our sole judgment. You acknowledge and agree that, if we recommend or give you information regarding a proposed site, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a Habit Burger Restaurant or any other purpose. Our

recommendation indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we recommend fail to meet your expectations. You acknowledge and agree that your acceptance of the franchise is based on your own independent investigation of the site's suitability for the Premises.

In addition to our rights with respect to proposed RESTAURANT sites, we may delay your development of additional RESTAURANTS within the Development Area for the time period we deem best if we believe, when you submit your application, that you are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you developed and opened your most recent RESTAURANT, to develop, open, and/or operate the additional RESTAURANTS in full compliance with our standards and specifications. We may delay additional development for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Development Schedule (unless we are willing to extend the Development Schedule proportionately to account for the delay).

- D. **Site Approval.** You agree to obtain our written approval of the RESTAURANT's proposed site before signing any lease, sublease, or other document for the proposed site. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within thirty (30) business days after we receive all requested information and materials as set forth in Section 4.C above. You acknowledge and agree that our determination to accept or not accept a proposed site may, without limitation, be based on such factors as location of the proposed Habit Burger Restaurant, customer traffic patterns, demographics, geographic characteristics, restaurant size, surrounding area, and requirements of any lease agreement including, without limitation, whether we have a right, but not an obligation, under such lease to assume the lease. Our decision to accept or not accept a proposed site is at our sole discretion and is solely for our own internal benefit; acceptance of a proposed location is not a guarantee that the RESTAURANT will achieve any certain level of success, and you agree not to rely on our approval for any such purpose. You acknowledge and agree that our acceptance of any proposed site and any information imparted to you regarding the Site do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the premises for a Habit Burger Restaurant or for any other purpose.

If we accept the proposed site, you agree, within the time period we specify (but no later than the date specified in the Development Schedule), to sign a Lease we have approved (see Section 4.E below) and a separate franchise agreement (and

related documents) for that RESTAURANT and to pay us the initial franchise fee due. If you fail to do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site. After you (and your owners) sign the franchise agreement (and related documents), its terms and conditions will control your development and operation of the RESTAURANT. However, site approval does not assure that we will sign a franchise agreement with you (or an Approved Affiliate) for a particular site.

E. **Lease of Premises.** No later than the Site Commitment Date and no less than twenty (20) business days prior to the proposed date of execution of the lease agreement for each approved RESTAURANT Site to be developed under this Agreement as set forth in Exhibit C, you (or an Approved Affiliate) shall submit to us for our review: (i) a fully negotiated but unexecuted lease or sublease for the applicable Site (the "Lease"); and (ii) a purchase agreement if you intend to purchase the Site and lease it to an Approved Affiliate to develop and operate a RESTAURANT at the Site. You (or an Approved Affiliate) must sign the Lease before the Date by Which Franchise Agreement Must be Signed as set forth in Exhibit C. The Lease must comply with our lease guidelines, must have a term at least as long as the initial term of the franchise agreement you (or your Approved Affiliate) will execute for the applicable RESTAURANT to be developed and operated at the Site and must contain certain required terms and provisions (although we will not negotiate your Lease), including, but not limited to:

- (1) A provision reserving to us the right to receive an assignment of the Lease upon termination or expiration of the franchise or default, termination or non-renewal of the Lease;
- (2) A provision requiring the lessor to give us all sales and other information we request relating to the RESTAURANT's operation;
- (3) A provision requiring the lessor concurrently to send us a copy of any written notice of a Lease default sent to you and granting us the right (but without any obligation) to cure any Lease default within fifteen (15) business days after the expiration of your cure period (if you fail to do so);
- (4) A provision evidencing your right to display the Marks according to the specifications in our operations manual (subject only to applicable law); and
- (5) A provision that the site may be used only for the operation of a Habit Burger Restaurant.

You and the landlord must sign an Addendum to Lease Agreement in the form attached as an exhibit to the Franchise Agreement and that contains the above required terms and provisions. You acknowledge that our review of a Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Habit Burger Restaurant operated at the Site. Our review indicates only that we

believe that the Site and the Lease's terms meet our then acceptable criteria. For each RESTAURANT that you will develop under this Agreement, you (or your Approved Affiliate) must deliver to us a signed copy of a Lease (and Addendum to Lease Agreement where applicable) for the Site for each such RESTAURANT within ten (10) days after its execution.

5. **DEVELOPMENT FEE**

As consideration for the development rights we grant you in this Agreement, you must pay us, at the same time you sign this Agreement, a total of _____ (\$_____) (the "Development Fee"), which is Ten Thousand Dollars (\$10,000.00) for each of the _____ (___) Habit Burger Restaurants you agree to develop under the Development Schedule. We will apply \$10,000 of the Development Fee toward the initial franchise fee due under each Franchise Agreement you sign with us pursuant to this Agreement. The Development Fee is consideration for the rights we grant you in this Agreement, is fully earned by us when we and you sign this Agreement, and is not refundable under any circumstances, even if you do not comply or attempt to comply with the Development Schedule and we then terminate this Agreement for that reason.

6. **NO SUBFRANCHISING OR RIGHTS TO MARKS**

This Agreement does not give you any right to franchise or subfranchise others to operate RESTAURANTS. Only you (and/or your Approved Affiliates) may develop, open, and operate RESTAURANTS contemplated by this Agreement and only under signed franchise agreements. Although you may reference your rights and obligations under this Agreement in discussions with landlords, employees, and others with whom you may deal in connection with the RESTAURANTS, this Agreement does not grant you any rights to use, or authorize others to use, the Marks in any manner. Your right to use the Marks arises only under the Franchise Agreement. We or our Affiliates own all rights to the Marks, and your use of the Marks in any way, other than pursuant to a signed franchise agreement, is an infringement of our (and our Affiliates') rights and a breach of this Agreement.

7. **TRANSFER**

- A. **Transfer By Us.** You represent that you have not signed this Agreement in reliance on any affiliate's, owner's, officer's or employee's remaining employed with us in that capacity. We may change our ownership or form and/or assign this Agreement without restriction. This Agreement will inure to the benefit of any transferee or other legal successor to our interest in it. After our assignment of this Agreement to a third party who expressly assumes our obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of us and novation with respect to this Agreement, and the assignee shall be liable to you as if it had been an original party to this Agreement.

- B. **Transfer by You.** You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an entity, to your Owners) and that we have granted you the rights under this Agreement in reliance upon our perceptions of your (or your Owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, your development rights under this Agreement are not transferable or assignable at all. This means that we will not, under any circumstances, allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of this Agreement, a franchise agreement entered into pursuant to this Agreement, any change in your ownership or your owners (whether or not it is a controlling ownership interest), or any other event that attempts to assign the development rights.

8. **TERMINATION BY US**

We may terminate this Agreement effective upon delivery of notice of termination to you if any one of the following events occur:

- (1) you become insolvent by reason of the inability to pay obligations as they become due or you make an assignment for the benefit of creditors;
- (2) you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law which is not dismissed within 30 days of filing, or admitting or failing to contest the material allegations of any such pleading filed against you or are adjudicated as bankrupt or insolvent or a receiver or other custodian is appointed for a substantial part of your assets or a final judgment remains unsatisfied or of record for 90 days or longer (unless a supersede as bond is filed), or if execution is levied against any substantial part of the assets of or ownership interest in you, or the claims of your creditors are abated or subject to a moratorium under any law;
- (3) you or an Owner makes an unauthorized Transfer;
- (4) we declare you (or an Approved Affiliate) to be in default of any Franchise Agreement between us and you (or an Approved Affiliate) or any other agreement between us;
- (5) you fail to meet your development obligations under the Development Schedule;
- (6) you or an Owner makes, or has made, any material misrepresentation to us in an application or otherwise upon which we have relied in granting the rights contained in this Agreement, any site approval hereunder or the approval of any Franchise Agreement or fails to obtain prior approval or consent as expressly required under this Agreement;

(7) you, an Owner or any agent of either makes an unauthorized use of the Marks or an unauthorized use or disclosure of our Confidential Information as defined in the form of Franchise Agreement attached hereto as Exhibit B;

(8) we have issued three (3) notices of default of this Agreement in any 12-month period whether or not the breach is cured or capable of being cured;

(9) we have terminated a Franchise Agreement due to a breach thereof by you or an Approved Affiliate;

(10) you fail or refuse to comply with any other provision of this Agreement and do not correct such failure or refusal within 30 days after written notice thereof (which will describe the corrective action you must take), provided that if a failure to comply cannot reasonably be corrected within 30 days, to initiate within such 30 day period, and thereafter continue, such action as will correct such failure within a reasonable time (not to exceed 60 days); or

(11) you or a Principal Owner is convicted of a felony or a criminal act that in our reasonable opinion is likely to adversely affect the reputation and goodwill of the Habit Burger Restaurant system.

9. **EFFECT OF TERMINATION AND EXPIRATION**

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

B. **Return of Manuals.** You agree that upon termination or expiration of this Agreement, you will immediately return to us all copies of Manuals and other Confidential Information which have been loaned to you or provided by us under this Agreement, although this provision is not intended to require the return of any manuals provided under a Franchise Agreement.

C. **Franchise Rights for Development Area.** You acknowledge and agree that upon expiration or termination of this Agreement you will no longer have any rights to develop additional Restaurants in the Development Area.

10. **INCORPORATION OF OTHER TERMS**

Sections 6, 7, 8.I, 15.A through 15.D, 16.A through 16.O, 17, 18, and 19 of our standard form of Franchise Agreement for Habit Burger Restaurants that is current as of the Effective Date, captioned, "Confidential Information," "Exclusive Relationship," "Insurance," "Independent Contractor," "No Liability for Acts of Other Party," "Taxes," "Indemnification," "Severability and Substitution of Valid Provisions," "Waiver of Obligations," "Costs and Attorneys' Fees," "Rights of Parties are Cumulative," "Mandatory Mediation," "Jurisdiction and Venue," "Governing Law," "Jury Waiver," "Class Action Waiver," "Mutual Acknowledgments,"

"Damages Waiver," "Business Judgment," "Binding Effect," "Limitation of Claims," "No Waiver or Disclaimer of Reliance in Certain States," "Construction," "Notices and Payments," "Compliance With Anti-Terrorism Laws," and "Electronic Mail" respectively, are incorporated by reference in this Agreement and will govern all aspects of this Agreement and our and your relationship as if fully restated within the text of this Agreement, *mutatis mutandis*.

11. **MISCELLANEOUS**

- A. **Heirs, Successors, and Assigns.** This Agreement will be binding and inure to the benefit of the parties, their heirs, successors, and assigns.
- B. **Entire Agreement.** YOU ACKNOWLEDGE HAVING READ THIS AGREEMENT IN FULL; HAVING BEEN SUPPLIED WITH A FRANCHISE DISCLOSURE DOCUMENT IN ACCORDANCE WITH FEDERAL AND STATE LAW; BEING COGNIZANT OF EACH AND EVERY ONE OF THE TERMS AND PROVISIONS AND BEING AGREEABLE TO THEM; THAT NO REPRESENTATIONS OR AGREEMENTS, WHETHER ORAL OR WRITTEN, EXCEPT AS SET FORTH IN THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT, HAVE BEEN MADE OR RELIED UPON; THAT ANY AND ALL PRIOR AGREEMENTS OR UNDERSTANDINGS BETWEEN US, WHETHER ORAL OR WRITTEN, ARE AUTOMATICALLY CANCELED BY THE EXECUTION OF THIS AGREEMENT (EXCEPT FOR THE REPRESENTATIONS IN OUR FRANCHISE DISCLOSURE DOCUMENT); AND YOU HEREBY RELEASE US, OUR OFFICERS, DIRECTORS, AGENTS AND EMPLOYEES, FROM ANY AND ALL CLAIMS, DEMANDS, AGREEMENTS AND LIABILITIES OF EVERY DESCRIPTION WHATSOEVER, WHICH YOU EVER HAD, NOW HAVE OR HEREAFTER MAY HAVE, AGAINST ANY OF THE FOREGOING BY REASON OF ANY MATTER, CAUSE OR THING OCCURRING PRIOR TO THE DATE OF THIS AGREEMENT; THAT THE SIGNATURES AFFIXED HERETO WERE AFFIXED AS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS AGREEMENT; AND THAT THE TERMS AND PROVISIONS OF THIS AGREEMENT CANNOT BE CHANGED OR MODIFIED UNLESS IN WRITING SIGNED BY US; THAT YOU REALIZE THAT THERE CAN BE NO GUARANTY OF SUCCESS, SINCE YOUR BUSINESS ABILITY, APTITUDE, AND INDUSTRIOUS DISPOSITION ARE PRIMARY IN YOUR SUCCESS.
- C. **Validity of Parts.** Any invalidity of any portion of this Agreement will not affect the validity of the remaining portion, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect.
- D. **Force Majeure.** You will not be in breach of this Agreement if your failure to satisfy your development obligations under the Development Schedule results from: (1) acts of God; (2) fires, strikes, embargoes, war, acts of terrorism

or similar events, or riot; (3) landlord delays beyond your reasonable control; or (4) delays beyond your reasonable control in obtaining required licenses, permits and other required governmental approvals necessary to open the RESTAURANT to the general public. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payments due afterward.

- E. **Headings.** The headings used herein are for purposes of convenience only and will not be used in interpreting the provisions hereof. As used herein, the male gender shall include the female and neuter genders; the neuter gender shall include the male and female genders; the singular shall include the plural; the plural shall include the singular; and termination shall include expiration.
- F. **Counterparts; Execution by Us.** This Agreement may be executed in one or more counterparts, each counterpart to be considered an original portion of this Agreement. This Agreement will not be binding on us unless and until it has been accepted and signed by one of our authorized officers.
- G. **Third Parties.** The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party will have the right to claim the benefit of any provision hereof as a third-party beneficiary of any such provision.

[Signature Page Follows]

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

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DEVELOPER

(IF YOU ARE SIGNING AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

(IF YOU ARE SIGNING INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

[signature of individual franchisee]

Print Name: _____

INDIVIDUAL ACKNOWLEDGEMENT AND GUARANTY OF DEVELOPER'S UNDERTAKINGS

This Individual Acknowledgement and Guaranty of Developer's Undertakings is effective as of the Effective Date of the Area Development Agreement. In consideration of, and as an inducement to, the execution of the Area Development Agreement (the "Area Development Agreement") dated _____, 20____, by **HBG FRANCHISE, LLC** ("Company") and _____ ("Developer"), each of the undersigned, by his/her signature below, guarantees unto Company payment of all sums due by Developer pursuant to the Area Development Agreement, and further guarantees performance by Developer of all obligations, duties, conditions, undertakings, restrictions, and agreements (collectively, the "Conditions") contained in the Area Development Agreement; and each of the undersigned, individually and personally, covenants and agrees that if default shall at any time be made by Developer in the payment of any such sums due by Developer pursuant to the Area Development Agreement, or in the performance and fulfillment of any of the Conditions contained in the Area Development Agreement, the undersigned will forthwith pay such sums as may be due, and will forthwith faithfully perform and fulfill all of such Conditions, and will forthwith pay to the Company all damages and all expenses that may arise in consequence of any default by Developer including all attorney's fees incurred by Company caused by such default and/or the enforcement of this guarantee.

The undersigned each agree to personally comply with and abide by (i) the restrictive covenants and nondisclosure provisions in the Area Development Agreement relating to confidentiality and competition and (ii) the restrictive covenants and all other provisions in the Area Development Agreement relating to transfer to the same extent as, and for the same period of time as, Developer is required to comply with and abide by such covenants and provisions, except to the extent otherwise required by the Area Development Agreement. These obligations of the undersigned shall survive any expiration or termination of the Area Development Agreement or this Guaranty.

This is an absolute and unconditional guarantee of payment and performance, and shall be enforceable against the undersigned, jointly, severally and personally, without the necessity for any suit or proceedings on the part of the Company against the Developer. This guarantee shall be a continuing guarantee, and the liability and obligation of the undersigned shall be absolute and remain in full force and effect, and shall not be released, discharged or in any way affected by (a) any amendment, modification or supplement to the Area Development Agreement; (b) exercise or non-exercise of any right, power or remedy pursuant to the Area Development Agreement, or any waiver, consent, extension, renewal or modification to the terms of the Area Development Agreement; (c) any bankruptcy, insolvency, reorganization, liquidation or similar proceedings of the Developer; (d) limitations on the liability or obligations of the Developer under the Area Development Agreement resulting from the operation of any present or future provision of the Federal Bankruptcy Act, or other statute, or from the decision of any court; or (e) any transfer by Developer, or assignment of Developer's interests, without a written release of the Company releasing the undersigned from obligation hereunder.

IN WITNESS WHEREOF, each of the undersigned have executed, sealed and delivered this Individual Acknowledgement and Guaranty of Developer's Undertakings effective on the day and year first above written.

Guarantor No. 1:

Sign:

Print Name:

Dated: _____

Guarantor No. 2:

Sign:

Print Name:

Dated: _____

Guarantor No. 3:

Sign:

Print Name:

Dated: _____

EXHIBIT A

**TO THE AREA DEVELOPMENT AGREEMENT
BY AND BETWEEN
HBG FRANCHISE, LLC
AND**

DATED: _____

The Development Area referred to in Section 1 of the captioned agreement shall be:

Initials:

Franchisor _____

Developer _____

Exhibit A

EXHIBIT B

**TO THE AREA DEVELOPMENT AGREEMENT
BY AND BETWEEN
HBG FRANCHISE, LLC
AND**

DATED: _____

Attached hereto is the current form of Franchise Agreement used by us in offering and granting franchises for Habit Burger Restaurants pursuant to the Area Development Agreement. The Franchise Agreement (and related documents) that you (or your Approved Affiliate(s)) sign for each RESTAURANT will be our then current form of Franchise Agreement (and related documents), any or all of the terms of which may differ substantially from the terms contained in our form of Franchise Agreement attached hereunder in Exhibit B.

Initials:

Franchisor _____

Developer _____

Exhibit B

EXHIBIT C

**TO THE AREA DEVELOPMENT AGREEMENT
BY AND BETWEEN
HBG FRANCHISE, LLC
AND**

DATED: _____

You have the right to develop and open _____ (____) RESTAURANTS in the Development Area according to the following Development Schedule:

RESTAURANT Number	Site Submittal Date	Site Commitment Date*	Date By Which Franchise Agreement Must Be Signed	Date By Which RESTAURANT Must Be Opened
1				
2				
3				
4				
5				

*On or before the Site Commitment Date, you must deliver to us the fully negotiated, but unexecuted lease and purchase agreement, where applicable, for our review.

Initials:

Franchisor _____

Developer _____

Exhibit C

EXHIBIT D

**TO THE AREA DEVELOPMENT AGREEMENT
BY AND BETWEEN
HBG FRANCHISE, LLC
AND**

DATED: _____

Owners and Designated Principal Owners

Following are all of your Owners:

Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Developer: _____ Title (if officer or director): _____	Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Developer: _____ Title (if officer or director): _____
Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Developer: _____ Title (if officer or director): _____	Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Developer: _____ Title (if officer or director): _____

The following additional individuals are designated as Principal Owners notwithstanding that they do not own the requisite percentage of ownership interests in you:

Name: _____ Name: _____

Exhibit D

Identification of Managing Owner.

Your Managing Owner as of the Effective Date is _____
_____ (must be one of the Principal Owners listed in paragraph 2 above). You may not
change the Managing Owner without prior written approval.

Initials:

Franchisor _____

Developer _____

EXHIBIT C
FINANCIAL STATEMENTS

HBG FRANCHISE, LLC

Financial Statements

December 27, 2022 and December 28, 2021

(With Independent Auditors' Report Thereon)

HBG FRANCHISE, LLC
Financial Statements
December 27, 2022 and December 28, 2021

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KPMG LLP
Suite 2400
400 West Market Street
Louisville, KY 40202

Independent Auditors' Report

Management and Those Charged with Governance
HBG Franchise, LLC:

Opinion

We have audited the financial statements of HBG Franchise, LLC (the Company), which comprise the balance sheets as of December 27, 2022 and December 28, 2021, and the related statements of income, member's equity, and cash flows for each of the years in the three-year period ended December 27, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 27, 2022 and December 28, 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 27, 2022 in accordance with U.S. generally accepted accounting principles.

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 U.S. generally accepted accounting principles, 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 for one year after the date that the financial statements are 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.

KPMG LLP

Louisville, Kentucky
April 5, 2023

HBG Franchise, LLC
 Balance Sheets
 December 27, 2022 and December 28, 2021

ASSETS	December 27, 2022	December 28, 2021
Current assets:		
Cash and cash equivalents	\$ -	\$ 5,631,696
Restricted cash	20,000	65,000
Accounts receivable, net of allowance for doubtful accounts of \$134,641 and \$0	607,797	290,390
Prepaid expenses and other current assets	-	1,184
Due from affiliates	1,742,748	63,461
Total current assets	2,370,545	6,051,731
Long-term restricted cash	30,000	30,000
Total assets	\$ 2,400,545	\$ 6,081,731
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accrued expenses	\$ 32,914	\$ 680,136
Deferred franchise fees	117,859	105,124
Total current liabilities	150,773	785,260
Long-term deferred franchise fees	1,749,772	1,570,565
Total liabilities	1,900,545	2,355,825
Total member's equity	500,000	3,725,906
Total liabilities and member's equity	\$ 2,400,545	\$ 6,081,731

See accompanying Notes to the Financial Statements.

HBG Franchise, LLC
Statements of Income
December 27, 2022 and December 28, 2021

	Fiscal Years Ended		
	December 27, 2022	December 28, 2021	December 29, 2020
Revenues:			
Franchise and license revenues	\$ 4,550,680	\$ 2,695,676	\$ 1,729,573
Franchise contributions for advertising and other services	1,560,190	665,418	511,559
Total revenues	<u>6,110,870</u>	<u>3,361,094</u>	<u>2,241,132</u>
Costs and expenses:			
General and administrative expenses	2,534,361	2,011,910	1,380,837
Franchise advertising and other services expense	1,742,102	583,018	545,502
Provision for bad debt	134,641	-	-
Total costs and expenses	<u>4,411,104</u>	<u>2,594,928</u>	<u>1,926,339</u>
Net income	<u>\$ 1,699,766</u>	<u>\$ 766,166</u>	<u>\$ 314,793</u>

See accompanying Notes to the Financial Statements.

HBG Franchise, LLC
Statements of Member's Equity
December 27, 2022 and December 28, 2021

Balance at December 31, 2019	\$ 2,644,947
Net income	<u>314,793</u>
Balance at December 29, 2020	2,959,740
Net income	<u>766,166</u>
Balance at December 28, 2021	3,725,906
Net income	1,699,766
Due from YUM! Brands, Inc.	<u>(4,925,672)</u>
Balance at December 27, 2022	<u>\$ 500,000</u>

See accompanying Notes to the Financial Statements.

HBG Franchise, LLC
Statements of Cash Flows
December 27, 2022 and December 28, 2021

	Fiscal Years Ended		
	December 27, 2022	December 28, 2021	December 29, 2020
CASH FLOWS PROVIDED BY (USED IN) FROM OPERATING ACTIVITIES			
Net income	\$ 1,699,766	\$ 766,166	\$ 314,793
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred franchise fee amortization	183,059	93,208	94,666
Provision for bad debt	134,641	-	-
Changes in assets and liabilities:			
Accounts receivable	(452,048)	(68,495)	50,901
Prepaid and other assets	1,184	45	331
Other assets	-	246,501	(123,980)
Accrued expenses	(647,222)	164,634	146,962
Due from affiliates	(1,679,287)	3,681,282	(3,687,661)
Deferred franchise fees	8,883	58,584	(12,239)
Net cash provided by (used in) operating activities	<u>(751,024)</u>	<u>4,941,925</u>	<u>(3,216,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash transferred to YUM! Brands, Inc. and Member	<u>(4,925,672)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(4,925,672)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(5,676,696)	4,941,925	(3,216,227)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	<u>5,726,696</u>	<u>784,771</u>	<u>4,000,998</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period	<u>\$ 50,000</u>	<u>\$ 5,726,696</u>	<u>\$ 784,771</u>

See accompanying Notes to the Financial Statements.

HBG Franchise, LLC
Notes to Financial Statements
December 27, 2022 and December 28, 2021

Note 1 – Organization and Description of Business

HBG Franchise, LLC (the “Company”), a Delaware limited liability company, was formed on February 13, 2013. The sole member of the Company is The Habit Restaurants, LLC (the “Member”), a Delaware corporation. The Company was formed for the purpose of franchising the Member’s business throughout the U.S. and internationally. The Company’s future operations are dependent upon the success of the Member’s business. As of December 27, 2022, the Company had 63 franchised locations in California, Washington, Nevada, Cambodia, China, Arizona and Massachusetts, of which 52 were located in the United States. As of December 27, 2022, the Member operated 286 “The Habit Burger Grill” restaurants in California, Arizona, Utah, New Jersey, Florida, Maryland, Idaho, Virginia, North Carolina, Washington, South Carolina, Pennsylvania and Nevada. The restaurant’s menu includes charbroiled hamburgers, specialty sandwiches, fresh salads, and shakes and malts.

The terms “franchise” or “franchisee” within these Financial Statements are meant to describe third parties that operate units under either franchise or license agreements and The Habit Burger Grill affiliated restaurants operating under master franchise and license agreements.

The Company’s franchise agreements typically have ten-year terms with the option to renew for one additional term of ten years.

The Company may also enter into license agreements that operate under varying terms and conditions. The licensee is subject to royalty fees, which are similar to the fees charged under a franchise agreement.

On March 18, 2020, YUM! Brands, Inc., a North Carolina corporation (“YUM”), completed its acquisition of The Habit Restaurants, Inc., a Delaware corporation, of which the Member is a wholly-owned subsidiary. Pursuant to the terms of the Agreement and Plan of Merger dated January 5, 2020, by and among The Habit Restaurants, Inc, YUM and YEB Newco Inc., a Delaware corporation and wholly owned subsidiary of YUM, (“Merger Sub”), Merger Sub was merged with and into The Habit Restaurants, Inc., with The Habit Restaurants, Inc. surviving the merger as a wholly owned subsidiary of YUM. Also, in connection with the acquisition, the Company transferred \$3.7 million on March 20, 2020 to its sole Member to meet the capital needs of the acquisition and to fund operations which the Member pays on the Company’s behalf. As a result, the amount has been classified as cash flow from operating activities in our statement of cash flows.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company’s Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”).

Fiscal Year – The Company fiscal year ends on the last Tuesday in December. As a result, there will be either 52 or 53 weeks in the fiscal year. All fiscal years presented had 52 weeks.

The next fiscal year scheduled to include a 53rd week is 2024.

Use of estimates – The preparation of the accompanying Financial Statements in accordance with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosures of contingent assets and liabilities

HBG Franchise, LLC
Notes to Financial Statements
December 27, 2022 and December 28, 2021

as of the balance sheet date. The actual results could differ significantly from those estimates.

Cash and cash equivalents – The Company considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. The cash balance exceeded the amount federally insured as of December 28, 2021 and at various times during 2022 and 2021. The Company has not experienced losses in its account, and credit loss risks are believed to be largely mitigated by utilizing a major financial institution.

Restricted cash – The Company’s restricted cash represents cash in impound accounts for franchisees developing in states that require segregation of fees paid for stores not opened.

Accounts receivable – The Company’s receivables are primarily generated from ongoing business relationships with our franchisees as a result of franchise agreements. These receivables from franchisees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts receivable, net on the Balance Sheets. Expected credit losses for uncollectible franchisee receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria as well as specified events that indicate the Company may not collect the balance due. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available data regarding default probability. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. No receivables have been written off against the allowance for doubtful accounts in 2022, 2021 and 2020.

Fair value measurements – The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, and accrued expenses approximates fair value because of the short-term nature of these instruments.

Revenue recognition – The Company executes franchise agreements for restaurants operated by franchisees that set out the terms of the arrangement. Such agreements set out the terms of the arrangement with the franchisee and typically require the franchisee to pay an initial, non-refundable fee and continuing and advertising fees that are based upon a percentage of sales.

Below is a discussion of how our revenues are earned, our accounting policies pertaining to revenue recognition under Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Topic 606”) and other required disclosures.

Franchise and License Revenues

The Company’s most significant source of revenues arises from the operation of stores by its third-party franchisees. Franchise rights may be granted through a store-level franchise agreement that sets out the terms of our arrangement with the franchisee. The Company’s franchise agreements require that the franchisee remit continuing fees based on a percentage of the applicable restaurant’s sales in exchange for the license of the intellectual property associated with The Habit Burger Grill brand (the “franchise right”).

HBG Franchise, LLC
Notes to Financial Statements
December 27, 2022 and December 28, 2021

The Company's store-level franchise agreements also typically require certain, less significant, upfront franchise fees such as initial fees paid upon opening of a store, development fees for multi-unit area development agreements or launch fees as part of the area development agreement.

Continuing fees represent the substantial majority of the consideration the Company receives under its franchise agreements. Continuing fees are typically paid each period and are usually 5% to 5.5% of sales. Based on the application of the sales-based royalty exception within Topic 606, continuing fees are recognized as the related restaurant sales occur.

Our franchise agreements also typically require upfront franchise fees such as initial fees paid upon the opening of a store, development fees for multi-unit area development agreements or launch fees as part of the area development agreement. The Company has determined that the services we provide in exchange for these franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services we provide to our franchisees. As a result, such upfront franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront franchise fees are presented within Franchise and license revenues in the accompanying Statements of Income.

Franchise Contributions for Advertising and Other Services

Advertising Contributions

The Company established a national advertising and development fund in the beginning of fiscal year 2021 for the advertising, marketing, and public relations programs and materials that the Company deems appropriate. Franchisees must contribute the then-currently required percentage of the restaurant's gross sales to the advertising fund. The Company acts as a principal in the related transactions entered into based on its responsibility to define the nature of the good and services provided and/or its commitment to pay advertising services in advance of related franchisee contributions. Additionally, the Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore are not distinct. Franchisees remit to the Company a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related franchise restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Contributions for these services are typically received on a monthly basis. The Company may also require franchisees to spend the then-currently required percentage of the restaurant's sales on local advertising. To date, the Company has not required the franchisees to spend a percentage of the restaurant's sales on local advertising. The Company may, at its sole discretion, increase the required contribution to the advertising fund and local advertising spend, provided, that in no event will the total exceed four and a half percent (4.5%) of the restaurants' gross sales in a calendar year. Any unused funds at year-end will be carried over to the following year. There were no advertising contributions in fiscal year 2020.

Other Goods and Services

On a much more limited basis, the Company provides goods or services to certain franchisees that are individually distinct from the franchise right because they do not require integration with other goods or

HBG Franchise, LLC
Notes to Financial Statements
December 27, 2022 and December 28, 2021

services we provide. Such agreements primarily relate to information technology support services, additional restaurant opening support beyond what is offered in the agreement and other miscellaneous items, such as point of sale systems, that we may purchase and then transfer to the franchisee. In instances where we rely on third parties to provide goods or services to franchisees at our direction, we have determined we act as a principal in these transactions and recognize related revenues as the goods or services are transferred to the franchisee.

A summary of these Franchise contributions for advertising and other services is included below:

	<u>December 27, 2022</u>	<u>December 28, 2021</u>	<u>December 29, 2020</u>
Franchise contributions for advertising and other services:			
Contributions for advertising	\$ 718,377	\$ 356,629	\$ -
Other revenue	841,813	308,789	511,559
Total franchise contributions for advertising and other services	<u>\$ 1,560,190</u>	<u>\$ 665,418</u>	<u>\$ 511,559</u>

Contract liabilities – Our contract liabilities are comprised of amortizing upfront fees received from franchisees such as development and franchise and license fees. Deferred franchise fees totaled approximately \$1,868,000 and \$1,676,000 at December 27, 2022 and December 28, 2021, respectively. These deferred franchise fees include approximately \$1,077,000 and \$947,000 for the fiscal years ended December 27, 2022 and December 28, 2021, respectively, of upfront fee deposits paid to the Company associated with new franchise contracts for stores not yet opened which are not yet being amortized.

Advertising costs – The Company incurs advertising expense as a result of its obligation to spend franchisee contributions to the Company. At the end of each fiscal year additional advertising costs are accrued to the extent advertising revenues exceed the related advertising expense to date, as we are obligated to expend such amounts as advertising. Advertising and promotional costs are expensed as incurred. These amounts are included in Franchise advertising and other services expenses in the accompanying Statements of Income.

Other franchise support costs – Costs incurred by the Company to provide support services to franchisees for which the Company does not receive a reimbursement are charged to General and administrative expenses as incurred. Expenses related to the provisioning of goods or services for which the Company receives reimbursement for all or substantially all of the expense amount from a franchisee are recorded in Franchise advertising and other services expense (the associated revenue is recorded within Franchise contributions for advertising and other services as described above).

Income taxes – The Company was formed as a single member limited liability corporation that is disregarded for income tax purposes and is not subject to U.S. federal and state income taxes. The income of the Company is taxed and attributable to income tax filings of the Member and YUM entities. Therefore, the accompanying Statements of Income do not include a provision for income taxes nor have current or deferred U.S. income tax assets or liabilities been recorded in the accompanying Balance Sheets.

HBG Franchise, LLC
Notes to Financial Statements
December 27, 2022 and December 28, 2021

Related party transactions and cost allocations – The Company does not have employees. As such, all resources necessary to maintain support and grow the Company are provided by the Member or YUM. While there is not a management services agreement executed between the Member and the Company, certain expenses for the Member’s employees that directly support the Company’s operations have been allocated to, and are included in, the Company’s financial statements. See Note 3 for details on the Company’s General and administrative expenses, which include those allocated from the Member.

At the beginning of fiscal year 2022, the Company started transferring its cash balances to YUM on a daily basis except for restricted cash and restricted cash equivalents discussed above. The Net Cash transferred to YUM! Brands, Inc. in the accompanying Statements of Cash Flows and The Due from YUM! Brands, Inc. within the accompanying Statements of Member’s Equity represent the net cash transferred to YUM associated with the Company’s accumulated excess earnings that are not expected to be repaid to the Company by YUM. Subsequent to the end of fiscal 2022, on April 3, 2023, the Company received cash to settle the Due from affiliates balance as of December 27, 2022 in the accompanying Balance Sheets.

Reclassifications – We have reclassified certain items in the accompanying Financial Statements for the prior periods to be comparable with the classifications for the year ended December 27, 2022. These reclassifications had no effect on previously reported net income.

Note 3 – Total Costs and Expenses

During the years ended December 27, 2022, December 28, 2021 and December 29, 2020, the Company received support from the Member for franchise administration and operations. The costs associated with these support functions were allocated to the Company using methodologies established by the Member’s management and are considered to be a reasonable reflection of the utilization of direct support services provided to the Company. A summary of these costs is noted below, which include the amounts allocated from the Member:

	<u>December 27, 2022</u>	<u>December 28, 2021</u>	<u>December 29, 2020</u>
Franchise advertising and other services expenses:			
Advertising franchise expenses	\$ 767,006	\$ 371,799	\$ -
Other services expenses	975,096	211,219	545,502
Total franchise advertising and other services expenses	<u>\$ 1,742,102</u>	<u>\$ 583,018</u>	<u>\$ 545,502</u>
General and administrative expenses:			
Personnel	\$ 1,882,406	\$ 1,378,643	\$ 943,765
Professional and legal	203,375	428,437	227,616
Travel and expense	253,791	115,211	148,192
Other	194,789	89,619	61,264
Total general and administrative expenses	<u>\$ 2,534,361</u>	<u>\$ 2,011,910</u>	<u>\$ 1,380,837</u>

HBG Franchise, LLC
Notes to Financial Statements
December 27, 2022 and December 28, 2021

Note 4 – Employee Benefit Plan

Prior to fiscal year 2022, the Member maintained a qualified 401(k) retirement plan (the “401k Plan”) for which certain employees were eligible to participate in the 401k Plan after completing one year of service and reaching the age of 21. Effective the beginning of fiscal year 2022, Member employees joined YUM’s qualified 401(k) plan subject to this plan’s eligibility requirements. The assets and employee balances of the Member’s 401(k) plan were transferred to YUM’s qualified 401(k) plan.

Prior to the beginning of fiscal year 2022, the Member maintained a nonqualified deferred compensation plan. It allowed eligible employees, including our executive officers, to defer a portion of their compensation. This deferred compensation plan still exists in 2022, however, the Company transitioned to the nonqualified deferred compensation plan offered by YUM. As such, no additional contributions are allowed to this Member plan.

These plans are maintained and administered by the Member and YUM, however expenses related to discretionary matching contributions related to these plans have been included in the allocation by the Member to the Company as described in Note 3. Allocated expenses are included in General and Administrative Expenses on the accompanying Statements of Income.

Prior to transition of these plans to YUM in 2022, and certain asset and liability balances related to these plans were allocated to the Company and are included in Accrued expenses in the accompanying Balance Sheet at December 28, 2021. Beginning with fiscal 2022, these asset and liability balances are no longer allocated to the Company as a result of the transition to YUM’s programs.

Note 5 – Member’s Equity

The Company is authorized to issue a single class of limited liability interest. As the Company’s sole member, The Habit Restaurants, LLC has made contributions to the Company of \$500,000.

The Due from YUM! Brands, Inc. of \$4,925,672 discussed in Note 2 are presented in Member’s Equity as and represent the net cash transferred to YUM associated with the Company’s accumulated excess earnings that are not expected to be repaid to the Company by YUM.

Note 6 – Subsequent Events

On April 3, 2023, the Due from affiliates was cash settled as discussed in Note 2. The Company has evaluated subsequent events through April 5, 2023, which is the date these financial statements were available to be issued and concluded that there were no additional events or transactions that require disclosure.

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

Brand Standards Manuals Contents

THIS IS NOT YOUR TYPICAL TABLE OF CONTENTS.

To use the Brand Standards Table of Contents you need to know a few things first. Any heading that is underlined, is a clickable link that will take you to that item.

- Text that is **RED** = 1 of 6 Brand Standard Manuals
 - Text that is **BLACK** = Single e-learning lesson with same name in that Brand Standards Manual
 - Text that is **TEAL** = Section with that same name within that e-learning lesson
 - Plan text that is NOT underlined = searchable content within that course. On your keyboard you can select, "CTRL + F" this will pop-open a window where you can type in any keywords you're looking for. If it is present within the content you're searching, you can be taken directly to it.

People and Culture Manual

WHO WE ARE

- History of The Habit
- Mission
- Principles
- The Habit Difference
- Equity Only – Team Member Handbook and HR Resources

TEAM BUILDING AND MANAGEMENT

- BUILDING YOUR TEAM GUIDELINES
 - BOH Positions
 - FOH Positions
 - Role of the Motivator Guidelines
 - Characteristics of a Manager
- TEAM MEMBER JOB LEVELS
 - LADDER Program
 - Cashier Levels
 - Kitchen Levels
 - Assistant Manager Level (ALs)
- SMART HIRING GUIDELINES
 - Equity Restaurants Recruiting Guidelines
 - Interviewing Guidelines
 - Equity Only - New Hire Orientation and Paperwork Procedures
 - Resources for Orientation and New Hire Packet
 - Tracks Team Member Onboarding and Management
 - Food Handler Card Entry and Management Policies

- EQUITY REFERRAL REWARD PROGRAM STANDARDS
 - Cashier/Cook Reward eligibility
 - Management Reward eligibility
 - Referral Reward Payout Schedule
 - Equity Quarterly Bonus Program Standards

PROGRAMS AND TOOLS

- MANAGER IN TRAINING (MIT) PROGRAM
 - BOH Training
 - FOH Training
 - Transition Week
- TRAINING METHODS AND TOOLS
 - 3 - STEP TRAINING METHOD
 - Pocket Creed Card
 - Y2 SHADOW TRAINING
 - 1 – on – 1 Meetings
 - Role Playing
- LEARNING REFERENCE TOOLS
 - Learning Library
 - Prep Recipe Manual
 - Equipment Cleaning Tools
 - Position Training Guides (PTGs)
 - Manager in Training (MIT) Workbook
 - Training Videos
 - Diagrams and Charts Quick Reference Guides (QRG)
 - Build Cards and Quality Check Cards
- IMPROVING AND MAINTAINING PERFORMANCE PROCEDURES
 - 5-step Conflict Resolution
 - Progressive Discipline Guidelines
 - Equity Only – Coaching
 - Equity Only - Termination
- FLAME TRAINING PROGRAM
 - Star Chart Reports
 - AL FLAME Training Check
- CONTINUED MANAGER DEVELOPMENT
 - Manager Development
- EQUITY ONLY – TRAINING AND DEVELOPMENT BONUS
 - Cook and Cashier Targets
 - AL, K6, and K7 Targets
 - Due Dates
- EQUITY ONLY – DIGITAL TIP POOLING
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- [EQUITY ONLY – TEAM MEMBER HANDBOOK](#)

INTERNAL AND SOCIAL COMMUNICATION STANDARDS

- [MEDIA POLICY STANDARDS](#)
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 - Online Social Media Guidelines
 - Centralized Social Media Platform Standards
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 - Media Policy Standards
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 - Restaurant General Manager Procedures
 - District Manager and Director of Operations Procedures

Menus and Recipes Manual

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- Condiment Standards
- Off Menu/Regional/ Promotional Limited Time Offer (LTO) Menu Item Standards
- Nutritional Information

RECIPE MANUAL

- Prep Recipe Manual

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- Food Distributor Information

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- Serving and Self-Service Foods – TSC Foods
- Preventing Cross Contamination
- Utensils and Make-up Line Lid Standards
- Food Recall Procedures
- Food Borne Illness Policies (Food Safety)
- Food Allergen Standards
- Food Safety Certification Standards
- Transporting Food Safely

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- Team Member Storage
- FIFO/Labeling Standards
- Dry Storage Guidelines
- Refrigeration Storage
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- Injury, Illness Prevention (IIP) Program

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- Bodily Fluid
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- Lifting and Transporting Standards
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- Complete POS System Crash
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- Fire Safety Guidelines
- Gas Leak Guidelines
- Glass Breakage Procedures
- Power Outage and Restaurant Closure Procedures
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New Restaurant Opening (NRO) Manual

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- [APPROVED ARCHITECT STANDARDS](#)
- [GENERAL CONTRACTOR POLICIES](#)
- [CONSTRUCTION SCHEDULE GUIDELINES](#)
- [PLAYBOOK GUIDELINES](#)
- [PROTOTYPE DRAWING POLICIES](#)
- [TEST FIT GUIDELINES](#)
- [SITE PLAN PROCEDURES](#)
- [DUE DILIGENCE GUIDELINES](#)
- [BUILDING CONVERSION PROCEDURES](#)
- [MECHANICAL, ELECTRICAL, AND PLUMBING \(MEP\) PROCEDURES](#)
- [KITCHEN DRAWING STANDARDS](#)
- [DEFERRED SUBMITTAL POLICIES](#)
- [ROUGH INSPECTION GUIDELINES](#)
- [PUNCH LIST PROCEDURES](#)
- [TURNOVER PROCEDURES](#)

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- [GREASE INTERCEPTOR POLICIES](#)



- [ICE MACHINE STANDARDS](#)
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- [MEAT ROOM STANDARDS](#)
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- **TEAM MEETINGS**
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 - Monthly Safety Inspection
 - Equity Only - Cook Meeting
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- **CASH MANAGEMENT STANDARDS**
 - Cash Register Equipment Brand Standards
 - Tracks Back Office System Brand Standard
 - Tax Rate Procedure

- **INVENTORY POLICY**
 - Food Cost and Inventory
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- **EQUITY ONLY - PAYROLL CYCLE**
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 - Daily Payroll Procedures
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- EQUITY ONLY – PAPERWORK AND RECORD KEEPING
 - Weekly/Period Paperwork
 - P-Card – waiting from Dudlena
 - Invoices
 - Refunds
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- PROFIT & LOSS (P&L) STATEMENT POLICY

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- GENERAL INFORMATION AND OPERATING HOURS STANDARDS
- CASH PROCEDURES
 - Buying Change Policy
 - Cash Drop Procedure
 - Counterfeit Money Procedures
 - Money/Scams/Fraud Guidelines
 - Safe Management Procedure
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- OPENING MANAGER GUIDELINES AND CASH REGISTER OPERATION PROCEDURES
 - Cashier Card Procedure
 - Cash Register Tools Policy
 - Balancing Cash Register Procedures
 - Armored Truck Procedures
- CREDIT CARD POLICY
 - Damaged or Not Functional Credit Cards Policy
 - Declined Credit Card Guidelines
 - Credit Card Systems & POS Outage Brand Standard
- RECEIVING DELIVERY PROCEDURES
 - Preparing for Delivery Procedures
 - Inspecting Delivered Food Procedures
 - Rejecting Product Procedures
- MENU BOARDS
 - Installing Menu Board Panel Procedures
 - Menu Board Magnet Standards
- DRESS AND APPEARANCE STANDARDS
 - Uniform Standards
 - Caring for Supplied Uniform Guidelines
 - Grooming and Hygiene Policies
 - Uniform Supplier Standard
- PERSONAL HYGIENE STANDARDS
 - Good Personal Hygiene Standards
 - Hair Net Standards
 - Hair Net Storage Standards

- Hair Net Use Standards

- HANDWASHING STANDARDS
 - Handwashing Procedure
 - When to Wash Hand Policies
 - Hand Sink Standards

- GLOVE USE STANDARDS

- SERVICE STANDARDS
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 - The LAFF Method Procedures
 - Allergen/Nutritional Information Standards
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- TICKET TIME STANDARD
 - Restaurant Ticket Time Standard
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- AMBIENCE STANDARDS
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- DINING ROOM MAINTENANCE STANDARDS
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 - Frequency of Lapping Standards
 - Two-Towel System Standards
 - Quick Lap
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 - Chili Bar Standards
 - Condiments and Portion Cup Standards
 - Cleaning Procedures
 - Ketchup Dispenser/Condiment Holder Standards
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 - Cleaning procedures
 - Iced Tea Set-Up Standards
 - Brewing Iced Tea Procedures

- Juice bubbler set-up standards
- [TRAY SET-UP STANDARDS \(VIEW FROM PASS-OUT COUNTER\)](#)
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 - Plated item standards
 - Charburger and plated item standards
 - Fried item standards
 - Fried items with other item standards
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 - The 3-compartment sink 5 - step procedure
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 - Label dispenser set-up
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- [CLOSING MANAGER GUIDELINES](#)
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 - 7 - STEP ORDER TAKING PROCESS STANDARDS
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- [PAYMENT TRANSACTION PROCEDURES](#)
 - Cash Transaction Procedures
 - Quick Change Artist Guidelines
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 - Declined Credit Card Procedures
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 - Line Buster Set-up Standards
 - Additional Blocks
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 - Line Buster Steps of Service Procedures
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- INTRODUCTION AND MARKETING STANDARDS
 - Coupon and Offers Philosophy
 - Signage in Guest Areas
- LOCAL STORE MARKETING (LSM) STANDARDS
 - Charticket Standards
 - Certificate of Achievement Standards
 - Direct Mail Standards
 - Workplace Mailer Standards
- COMMUNITY OUTREACH STANDARDS
 - Fundraiser Guidelines
 - Event Procedures
 - Donation Standards
- GIFT CARD AND COMPLIMENTARY (COMP) CARD STANDARDS
 - Policies
 - Re-Ordering Procedures
 - Purchase Procedures
- CHARCLUB STANDARDS
 - Membership Benefits
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 - Purpose
 - Participation Standards
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- [DETAIL CLEANING STANDARDS](#)
- [DAILY BULLETS STANDARDS](#)
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- [INTERNAL AND EXTERNAL SIGNAGE STANDARDS](#)
- [LIGHTING AND EMERGENCY EXIT SIGN STANDARD](#)
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- [CONDIMENT, CHILL, AND BEVERAGE STATION STANDARDS](#)
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- [FRONT OF HOUSE \(FOH\) STORAGE CABINET STANDARDS](#)
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- [TRASH CANS, TRASH SMASHERS, AND WET FLOOR SIGN STANDARDS](#)
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- [AWNINGS AND PATIO HEATER STANDARDS](#)
- [EXTERIOR AND PATIO ELEMENT STANDARDS](#)
- [EXTERIOR DUMPSTER ENCLOSURE STANDARD](#)
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- [DUMPSTER, GARBAGE STANDARDS](#)



- [DOOR STANDARDS](#)
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- [REFERENCE AND TROUBLESHOOTING](#)
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EXHIBIT E

LIST OF FRANCHISEES AND AREA DEVELOPERS AS OF 12/31/2022

LIST OF FRANCHISEES AS OF DECEMBER 31, 2022

Franchisee	Address	City	State	Phone
Sodexo Operations, LLC*	Grand Canyon University 3300 West Camelback Road Phoenix, AZ 85017	Phoenix	AZ	(480) 297-5605
Barstow 5097, Inc.	2860 Lenwood Road Barstow, CA 92311	Barstow	CA	(760) 253-2002
Chino Hills 5090, Inc.	4200 Chino Hills Pkwy. Chino Hills, CA 91709	Chino Hills	CA	(909) 597-3344
Colton 5099, Inc.	1550 W. Valley Blvd., Unit A Colton, CA 92324	Colton	CA	(909) 679-2070
ADP Singh LLC	870 N Main Street Corona, CA 92880	Corona	CA	(909) 304-3599
RAIKOT LLC	1987 Foothill Parkway Corona, CA 92881	Corona	CA	(951) 460-1010
ADP Singh LLC	12569 Limonite Ave. #350 Eastvale, CA 91752	Eastvale	CA	(951) 361-9490
APS Singh, LLC	3250 W. Florida Avenue Hemet, CA 92545	Hemet	CA	(951) 502-1030
Hesperia 5092, Inc.	13325 Main St. Hesperia, CA 92345	Hesperia	CA	(760) 995-4159
DNC Javarro LAX T6, LLC*	10100 Aviation Blvd., Ste 100 Los Angeles, CA 90045	Los Angeles	CA	(310) 216-2081
APS Singh, LLC	30067 Haun Road Menifee, CA 92584	Menifee	CA	(951) 672-2295
RAIKOT LLC	12560 Day Street Moreno Valley, CA 92553	Moreno Valley	CA	(951) 455-4340
APS Singh, LLC	40436 Murrieta Hot Springs Rd., Ste. 102 Murrieta, CA 92563	Murrieta	CA	(951) 696-2288
Ontario 5100, Inc.	624 W. Holt Blvd. Ontario, CA 91762	Ontario	CA	(909) 563-4188
Rancho 5095, Inc.	10895 Foothill Blvd. Rancho Cucamonga, CA 91730	Rancho Cucamonga	CA	(909) 476-3014
Redlands 5093, Inc.	27511 San Bernardino Ave., STE 100 Redlands, CA 92374	Redlands	CA	(909) 792-8855
Rialto 5098, Inc.	1205 W. Renaissance Parkway Rialto, CA 92376	Rialto	CA	(909) 990-1565
Preferred Hospitality, Inc.*	California Baptist University 8432 Magnolia Avenue Riverside, CA 92504	Riverside	CA	(591) 343-4602
RAIKOT LLC	3555 Riverside Plaza Dr. Riverside, CA 92506	Riverside	CA	(951) 248-0156
RAIKOT LLC	3510 Tyler St. Riverside, CA 92503	Riverside	CA	(951) 689-0545
RAIKOT LLC	900 University Avenue Riverside, CA 92521	Riverside	CA	(951) 827-7321
Compass Group USA, Inc.*	5500 University Parkway San Bernardino, CA 92407	San Bernardino	CA	(951) 522-4923

Franchisee	Address	City	State	Phone
APS Singh, LLC	1580 S San Jacinto Ave. San Jacinto, CA 92583	San Jacinto	CA	(951) 474-5335
APS Singh, LLC	32068 Temecula Pkwy, #500 Temecula, CA 92592	Temecula	CA	(951) 302-1911
Sodexo Operations, LLC*	California Lutheran College Centrum Building 60 West Olsen Road Thousand Oaks, CA 91360	Thousand Oaks	CA	(805) 493-3204
Burgers & More Inc.	1000 Universal Studios Blvd., #V205 Universal City, CA 91608	Universal City	CA	(818) 579-4072
Upland 1 5091, Inc.	1071 East 19 th St., STE E Upland, CA 91784	Upland	CA	(909) 949-2300
Upland 2 5094, Inc.	1213 West Foothill Blvd. Upland, CA 91786	Upland	CA	(909) 932-1100
Victorville 5096, Inc.	11608 Amargosa Road Victorville, CA 92392	Victorville	CA	(760) 947-2551
APS Singh, LLC	36350 Hidden Springs Rd., Suite A Wildomar, CA 92595	Wildomar	CA	(951) 678-0766
Heidi Burgers, LLC	196 Ballardvale St. Wilmington, MA 010887	Wilmington	MA	(603) 471-9241
12 Ventures, LLC	543 North Stephanie Street Henderson, NV 89014	Henderson	NV	(702) 547-4352
12 Ventures, LLC	1730 East Craig Road North Las Vegas, NV 89081	Las Vegas	NV	(702) 906-1111
12 Ventures, LLC	365 Hughes Center Drive Las Vegas, NV 89169	Las Vegas	NV	(702) 838-0593
12 Ventures, LLC	4830 Blue Diamond Road Las Vegas, NV 89139	Las Vegas	NV	(702) 260-0050
12 Ventures, LLC	6482 N. Decatur Blvd. North Las Vegas, NV 89131	Las Vegas	NV	(702) 586-1488
12 Ventures, LLC	1150 S. Nellis Blvd., Ste 100 Las Vegas, NV 89104	Las Vegas	NV	(702) 659-6207
12 Ventures, LLC	Fashion Show Mall 3200 S. Las Vegas Boulevard Las Vegas, NV 89109	Las Vegas	NV	(702) 369-0623
PMG Rancho, LLC	4434 N. Rancho Dr. Las Vegas, NV 89130	Las Vegas	NV	(725) 267-1880
CC-Reno, LLC	Circus-Circus Hotel & Casino 500 North Sierra Street Reno, Nevada 89503	Reno	NV	(775) 329-0711
Compass Group USA, Inc.*	University of Nevada Reno 87 West Stadium Way Joe Crowley Student Union 3rd Floor	Reno	NV	(704) 328-4000
Bonney Lake Char, LLC	20411 98 th St. E., Suite C Bonney Lake, WA 98391	Bonney Lake	WA	(253) 243-7866
Issaquah Char, LLC	1676 9th Avenue NE Ste 120 Issaquah, WA 98029	Issaquah	WA	(429) 677-8014
Seattle Char, LLC	12900 SE Kent Kangley Road Kent, WA 98030	Kent	WA	(253) 630-5337

Franchisee	Address	City	State	Phone
Puyallup Char, LLC	10221 156 th Street E 105 Puyallup, WA 98374	Puyallup	WA	(253) 357-0202
Sammamish Char, LLC	620 228 th Ave NE Sammamish, WA 98075	Sammamish	WA	(425) 307-0160
AM Char, LLC	907 NW Ballard Way Seattle, WA 98017	Seattle	WA	(206) 569-0756
West Seattle Char, LLC	3501 SW Avalon Way Seattle, WA 98126	Seattle	WA	(206) 932-0373
Seattle Char, LLC	1253 North 205 th Street Shoreline, WA 98133	Shoreline	WA	(206) 542-7551
Seattle Char, LLC	11196 Pacific Crest Place Silverdale, WA 98383	Silverdale	WA	(360) 204-5615
Tacoma Char, LLC	2601 N. Pearl Street Suite 105 Tacoma, WA 98407	Tacoma	WA	(253) 759-3116
Seattle Char, LLC	17025 SouthCenter Parkway Tukwila, WA 98188	Tukwila	WA	(253) 236-5821

*Denotes a “non-traditional” outlet location.

LIST OF FRANCHISEES - SIGNED BUT NOT YET OPEN AS OF DECEMBER 31, 2022

Franchisee	Address	City	State	Phone
Fontana 5104, Inc.	9750 Sierra Ave. Fontana, CA 92335	Fontana	CA	(310) 877-7666
California State University, Fresno Association, Inc.*	2771 E. Shaw Ave. Fresno, CA 93710	Fresno	CA	(559) 278-0800
Ontario Milliken 5105, Inc.	4210 E. 4 th St. Ontario, CA 91764	Ontario	CA	(310) 877-7666
Cal Poly Corporation*	1 Grand Avenue, Building 15 San Luis Obispo, CA 93407	San Luis Obispo	CA	(805) 756-5855
LHC-HBG, LLC	4855 East Bay Drive Largo, FL 33764	Largo	FL	(813) 703-2320
Delectaburger, Inc.	1235 Highway 33 Hamilton Township, NJ 08690	Hamilton Township	NJ	(609) 298-1008

*Denotes a “non-traditional” outlet location.

LIST OF AREA DEVELOPERS AS OF DECEMBER 31, 2022

State	Developer	Address	Phone
CA	APS Singh, LLC	15111 Whittier Blvd., Suite 446 Whittier, CA 90603	(949) 295-4380
CA	Cali Grill Holdings, LLC	6404 Wilshire Blvd., Suite 840 Los Angeles, CA 90048	(310) 877-7666
FL	LHC-HBG, LLC	2002 W. Cleveland St., Ste. 102 Tampa, FL 33606	(813) 703-2320
MA	Heidi Burgers, LLC	84 Range Road Windham, NH 03087	(603) 471-9241
NJ	Delectabell Management, Inc.	148 Crosswicks Chesterfield Rd. Chesterfield, NJ 08515	(609) 298-1008
NV	Compass Group USA, Inc.	University of Nevada Reno 87 West Stadium Way Joe Crowley Student Union	(704) 328-4000
NV	Pinnacle Management Group, LLC	711 S. Carson St., Ste. 4 Carson City, NV 89701	(714) 514-2488
NY	Delaware North	40 Fountain Plaza Buffalo, NY 14202	(716) 858-5000
PA	Sodexo Operations, LLC	6081 Hamilton Boulevard Allentown, PA 18106	(800) 448-1220
WA	PBUH Holdings, LLC	5299 Alton Parkway, Suite 216 Irvine, CA 92618	(949) 748-8381

**LIST OF FRANCHISEES WHO HAVE CEASED TO DO BUSINESS
UNDER OUR FRANCHISE AGREEMENT AS OF DECEMBER 31, 2022**

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

Franchisee	Address	City	State	Phone
LM Family Restaurants, LLC	54205 Dark Star Drive La Quinta, CA 92253	La Quinta	CA	(310) 977-1942
University of Southern California*	Ronald Tutor Campus Center Los Angeles, CA 90089	Los Angeles	CA	(213) 821-3482
SSP America, Inc.*	20408 Bashan Drive Ashburn, VA 20147	Ashburn	VA	(703) 729-2333

*Denotes a “non-traditional” outlet location.

EXHIBIT F
GENERAL RELEASE

HBG Franchise, LLC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

HBG Franchise, LLC (“we,” “us,” or “our”) and the undersigned franchisee, _____ (“you” or “your”), currently are parties to a certain Franchise Agreement (the “Franchise Agreement”) dated _____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “HBG Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the HBG Parties (1) arising out of or related to the HBG Parties’ obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the HBG Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the HBG Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

The parties acknowledge that they are familiar with the provisions of California Civil Code Section 1542 which reads as follows:

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

You and your owners, for yourselves and each of the Releasing Parties, hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Claims, you and your owners, for yourselves and each of the Releasing Parties, acknowledges that he, she, or it may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of this release, but that it is the parties' intention, fully, finally and forever to settle and release all such Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given hereunder shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts.

HBG Franchise, LLC

By: _____

Title: _____

Date: _____

[Name of Franchisee]

By: _____

Title: _____

Date: _____

[Name of Owner]

[Signature]

Date: _____

EXHIBIT G-1

IT SERVICES LETTER AGREEMENT - TRADITIONAL RESTAURANTS



Via email:

_____, 202__

[Name of Franchisee]

[Address]

[City, State Zip]

Re: Information Technology Services Letter Agreement – Traditional Restaurant

Dear _____:

As you are aware, HBG Franchise, LLC (“we”) will provide **[Name of Franchisee]** (“you”) with, and coordinate certain third-party suppliers’ provision of, certain information technology services before and after the opening of your Habit Burger restaurant (the “Restaurant”). The purpose of this letter agreement is to establish the terms relating to these services, supplementing the terms of the Franchise Agreement between you and us for the Restaurant (the “Franchise Agreement”).

You will acquire the components for the Restaurant’s IT systems directly from suppliers that we designate or approve. These components currently include a computer-based point-of-sale cash register system, POS Terminals, magnetic swipe readers, cash drawers, thermal printers, remote printers, sticky printers, handheld computer pads, personal computers, Microsoft Office, gift card software, credit card processing, cloud-based hosting and access to labor scheduling, training matrix and brand standards operations manuals, a firewall, antivirus protection, a kitchen video system, pagers, and business class broadband Internet connectivity and monitoring. We will provide you separately a detailed list of items and names of one or more suppliers of these items. You also will enter into separate software licenses for the IT system software and may be required to sign on-going support agreements for some of the Restaurant IT systems.

After you begin construction of your Restaurant, we will be on the Restaurant’s premises no less than twice to install certain wiring for your Restaurant’s IT services on the Restaurant’s premises, complete installation of the POS equipment and certain hardware, install on your computers and pads a ghost image of the software that we currently require for Habit Burger restaurants and format them for operational use, and set-up the system to be ready for operations (collectively, the “Wiring, Equipment and Installation Services”). You will need to direct the supplier of some of the computer systems we designate to deliver those systems to us before the installation.

You agree to pay us a one-time fee of approximately \$66,740 for the Wiring, Equipment and Installation Services and related products and services described below, payable to us at the same time and in the same manner as the first Royalty payment (as defined and specified in the Franchise Agreement). As described in the chart below, we will retain a portion of the fee for the Wiring, Equipment and Installation Services we provide, and we will pay the remainder of the fee to other suppliers for the products and services that they provide. You will pay directly to other 3rd party vendors for other hardware and software for the system. If you open any additional Habit Burger restaurants in the future, we reserve the right to change the fees as the future costs of equipment, hardware, and service capabilities being provided are unforeseeable.

Traditional Restaurant Wiring, Equipment and Installation Services

Service Description	Cost	Billed by	Payable to
Firewall, Power Over Ethernet switch, Indoor Wireless Access Point, LTE Cellular backup device	\$3,778	Habit IT	Service Retail Network
Materials: Cat 5 Cables, misc. patch cables, mounting brackets for KDS, Digital Signage and cash drawers, KVM switch, printer cable, USB keyboard for tablet, misc. cables and adapters.	\$970	Habit IT	Various 3 rd Party suppliers
Telecom Qualification, Installation, Shipping, Setup, Imaging, Configuration, Shipping and Testing of all Hardware and Software. Pulling of Cat 5 cables to each location per plans, run 2 CAT 5 cables from MPOE to DMARC terminate at 66 Block. Delivery, POS Hardware and LAN equipment installation, Cat 5 punch down - test and label all runs, telecom, install Patch panel and verify dial-tone. Travel, per diem and labor expenses for on-site work will be billed separately from a third party and this amount is not included in these services. .	\$11,500	Habit IT	Various 3 rd parties and Habit IT
Multifunction printer and toner, kitchen printer, 2 receipt printers, computer monitor, battery backup, Universal Power Supply, 2 Barcode Scanners, Manager PC, 2 back office Servers, Microsoft Office, 2 training tablets, Paging base and pagers, KDS controllers, KDS monitors/touchscreens, KDS brackets, 2 credit card devices, POS Software licenses, KDS Software licenses, VoIP phone system	\$41,700	Habit IT	PCM, QSR, LRS, Various 3 rd parties and Habit IT
2 Kiosks with CC device, additional kiosks can be added at \$4,646 ea	\$8,792	Habit IT	Various 3 rd parties
TOTAL	\$66,740		

Some of the data that we will install on your computer system or to which we will provide you access includes human resources, scheduling, labor cost management and similar information relating to the employment decisions at the Restaurant. We use this data in operating and making decisions for our own Habit Burger restaurants and are providing

it to you as a starting point, so you can customize it for use in managing your Restaurant. You are responsible for modifying the data and incorporating your own labor cost, staffing and other decisions based on your own business plan and employment decisions. We do not require you to use the data we input or follow our recommendations concerning pricing, cost, and labor scheduling.

We also will provide to you, to assist your users, our help desk services and support that is related to your Restaurant’s IT system (the “Computer Systems, Maintenance, Help Desk and Support Services”, the “Technology Services”, and, collectively, with the “Wiring, Equipment and Installation Services”, the “Services”). We will provide the Computer Systems, Maintenance, Help Desk and Support Services for a monthly fee of \$525.00 and the Technology Services for a monthly fee of \$325.00, payable to us at the same time and in the same manner as the Royalty (as defined in the Franchise Agreement). As described in the chart below, we will retain a portion of the fee for the services we provide, and we will pay the remainder of the fee to other suppliers for the services that they provide. We reserve the right periodically to change the Computer Systems, Maintenance, Help Desk and Support Services, and the Technology Services, and the monthly fee described below, as the scope of the services and future costs of providing these services may change over time.

Computer Systems, Maintenance, Help Desk and Support Services Fee

Service Description	Recurring Monthly Cost	Billed by	Payable to
Helpdesk and Menu Management (including digital channels); Hardware Depot (Spare in the Air and Warranty Management); 3 rd Party Vendors Costs (Software/Hardware Maintenance, Annual Licenses, Services, Security and Compliance). Helpdesk; Digital and POS Menu Management; Digital Store Status and Item Availability Management. Antivirus (number of devices may vary), Firewall SW and HW Maintenance, Remote Access SW, KDS SW Maintenance, POS SW and HW Maintenance, Internet Monitoring and Support, Cellular Backup Service (overages may apply), Cellular Backup Modem HW and SW Maintenance, Credit Card device HW and SW Support, Network Monitoring Tool, Amazon Web Hosting, SMS Texting tool (usage based), Google API Integration.	\$525.00	Habit IT	Habit IT, Corporate IT Solutions; Verizon (Local) Wireless Provider, Various 3 rd party suppliers
TOTAL	\$525.00		

Technology Services Fee

Service Description	Recurring Monthly Cost	Billed by	Payable to
App/Web/Kiosk/3 rd Party Integrations; Tracks Back Office (Food Cost/Labor/E-Learning/Etc.). Sales Polling, Food Costing, Labor Scheduling, E-Learning, Reporting, Employee Time Clock, Current/Future Initiatives, Mobile App iOS and Android, Web Ordering, Kiosks, 3 rd Party Integrations, Curbside, Future Initiatives.	\$325	Habit IT	Habit IT, Various 3 rd Party suppliers
TOTAL	\$325		

Third party suppliers are responsible for providing you some of the Services and related products and software identified in this letter, even if, for example, you make payments to us which we forward to the suppliers, some of the products are delivered to us instead of you, and/or we install or assist with the setup of the software. These third-party suppliers are responsible for providing you these Services, products and software, not us. We can make no warranty, express or implied, about these Services, products or software. You agree to raise any warranty or similar issues relating to these Services, products and software directly with the third-party supplier, not us.

For any Services that we provide directly to you, we warrant that all work performed shall be done in a good and workmanlike manner in accordance with the standards in the trade. If any of these Services fail to meet this standard, then we may, at our option, either perform the Services again or refund to you any amounts that you paid us relating specifically to the Services that failed to meet the standard. However, EXCEPT AS PROVIDED IN THE PRECEDING SENTENCE, WE MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE SERVICES WE PROVIDE, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE, AND WE HEREBY DISCLAIM THE SAME. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, WE MAKE NO WARRANTY THAT ANY COMPONENT OF YOUR IT SYSTEM (INCLUDING THE WIRING) WILL OPERATE UNINTERRUPTED OR ERROR FREE. In no event shall we be liable for any incidental, consequential, punitive or special damages. Our maximum aggregate liability with respect to the Services under or in connection with this letter agreement, whether in contract, warranty, tort (including negligence) or any other legal theory, shall in no circumstances exceed the price paid for the Services in question.

We reserve the right to add to, modify, or remove any of the Computer Systems, Maintenance, Help Desk and Support Services and Technology Services described in this letter agreement upon written notice to you. Any disputes related to this letter agreement shall be subject to the provisions of Section 17 of the Franchise Agreement. This letter agreement shall terminate upon the termination or expiration of the Franchise Agreement or 30 days after we provide you with written notice of our intent to terminate the letter agreement. However, the limitations in the preceding paragraph will survive any termination of this letter agreement.

To confirm that you have read, understand, and agree to the terms described in this letter, please sign below and return a copy to my attention.

Best regards,

HBG FRANCHISE, LLC

John Phillips
Chief Global Business Partnership Officer

Accepted and agreed:

[NAME OF FRANCHISEE]

EXHIBIT G-2

IT SERVICES LETTER AGREEMENT - DRIVE THRU RESTAURANTS



Via email:

_____, 202__

[Name of Franchisee]
[Address]
[City, State Zip]

Re: Information Technology Services Letter Agreement – Drive Thru

Dear _____:

As you are aware, HBG Franchise, LLC (“we”) will provide **[Name of Franchisee]** (“you”) with, and coordinate certain third-party suppliers’ provision of, certain information technology services before and after the opening of your Habit Burger restaurant (the “Restaurant”). The purpose of this letter agreement is to establish the terms relating to these services, supplementing the terms of the Franchise Agreement between you and us for the Restaurant (the “Franchise Agreement”).

You will acquire the components for the Restaurant’s IT systems directly from suppliers that we designate or approve. These components currently include a computer-based point-of-sale cash register system, POS Terminals, magnetic swipe readers, cash drawers, thermal printers, remote printers, sticky printers, handheld computer pads, personal computers, Microsoft Office, polling software, gift card software, credit card processing, cloud-based hosting and access to labor scheduling, training matrix and brand standards operations manuals, a firewall, antivirus protection, a kitchen video system, pagers, and business class broadband Internet connectivity and monitoring. We will provide you separately a detailed list of items and names of one or more suppliers of these items. You also will enter into separate software licenses for the IT system software and may be required to sign on-going support agreements for some of the Restaurant IT systems.

After you begin construction of your Restaurant, we will be on the Restaurant’s premises no less than twice to install certain wiring for your Restaurant’s IT services on the Restaurant’s premises, complete installation of the POS equipment and certain hardware, install on your computers and pads a ghost image of the software that we currently require for Habit Burger restaurants and format them for operational use, and set-up the system to be ready for operations (collectively, the “Wiring, Equipment and Installation Services”). You will need to direct the supplier of some of the computer systems we designate to deliver those systems to us before the installation.

You agree to pay us a one-time fee of approximately \$77,764 for the Wiring, Equipment and Installation Services and related products and services described below, payable to us at the same time and in the same manner as the first Royalty payment (as defined and specified in the Franchise Agreement). As described in the chart below, we will retain a portion of the fee for the Wiring, Equipment and Installation Services we provide, and we will pay the remainder of the fee to other suppliers for the products and services that they provide. You will pay directly to other 3rd party vendors for other hardware and software for the system. If you open any additional Habit Burger restaurants in the future, we reserve the right to change the fees as the future costs of equipment, hardware, and service capabilities being provided are unforeseeable.

Drive Thru Restaurant - Wiring, Equipment and Installation Services

Service Description	Cost	Billed by	Payable to
Firewall, Power Over Ethernet switch, Indoor Wireless Access Point, Outdoor Wireless Access Point, LTE Cellular backup device	\$4,230	Habit IT	Secure Retail Networks
Materials: Cat 5 Cables, misc. patch cables, mounting brackets for KDS, Digital Signage and cash drawers, KVM switch, printer cable, USB keyboard for tablet, misc. cables and adapters.	\$1,212	Habit IT	Various 3 rd parties
Telecom Qualification, Installation, Shipping, Setup, Imaging, Configuration, Shipping and Testing of all Hardware and Software. Pulling of Cat 5 cables to each location per plans, run 2 CAT 5 cables from MPOE to DMARC terminate at 66 Block. Delivery, POS Hardware and LAN equipment installation, Cat 5 punch down - test and label all runs, telecom, install Patch panel and verify dial-tone. Travel, per diem and labor expenses for on-site work will be billed separately from a third party and this amount is not included in these services.	\$13,500	Habit IT	Various 3 rd parties and Habit IT
Multifunction printer and toner, kitchen printer, 4 receipt printers, computer monitor, battery backup, Universal Power Supply, 3 Barcode Scanners, Manager PC, 2 back office servers, Microsoft Office, 2 training tablets, Paging base and pagers, 4 POS terminals, POS tablet, KDS controllers, KDS monitors/touchscreens, KDS brackets, 3 credit card devices, POS Software licenses, KDS Software licenses, VoIP phone system, DT Order Confirmation Board	\$50,030	Habit IT	SHI, QSR, Oracle, LRS, Doubleline, Various 3 rd parties and Habit IT
2 Kiosks with CC device, additional kiosks can be added at \$4,646 ea	\$8,792	Habit IT	Various 3 rd parties
TOTAL	\$77,764		

Some of the data that we will install on your computer system or to which we will provide you access includes human resources, scheduling, labor cost management and similar information relating to the employment decisions at the Restaurant. We use this data

in operating and making decisions for our own Habit Burger restaurants and are providing it to you as a starting point, so you can customize it for use in managing your Restaurant. You are responsible for modifying the data and incorporating your own labor cost, staffing and other decisions based on your own business plan and employment decisions. We do not require you to use the data we input or follow our recommendations concerning pricing, cost, and labor scheduling.

We also will provide to you, to assist your users, our help desk services and support that is related to your Restaurant’s IT system (the “Computer Systems, Maintenance, Help Desk and Support Services”, the “Technology Services”, and, collectively, with the “Wiring, Equipment and Installation Services”, the “Services”). We will provide the Computer Systems, Maintenance, Help Desk and Support Services for a monthly fee of \$525.00 and the Technology Services for a monthly fee of \$325.00, payable to us at the same time and in the same manner as the Royalty (as defined in the Franchise Agreement). As described in the chart below, we will retain a portion of the fee for the services we provide, and we will pay the remainder of the fee to other suppliers for the services that they provide. We reserve the right periodically to change the Computer Systems, Maintenance, Help Desk and Support Services, and the Technology Services, and the monthly fee described below, as the scope of the services and future costs of providing these services may change over time.

Computer Systems, Maintenance, Help Desk and Support Services Fee

Service Description	Recurring Monthly Cost	Billed by	Payable to
Helpdesk and Menu Management (including digital channels); Hardware Depot (Spare in the Air and Warranty Management); 3 rd Party Vendors Costs (Software/Hardware Maintenance, Annual Licenses, Services, Security and Compliance). Helpdesk, Depot (spare in the air warranty management); Digital and POS Menu Management; Digital Store Status and Item Availability Management. Antivirus (number of devices may vary), Firewall SW and HW Maintenance, Remote Access SW, QSR SW Maintenance, POS SW and HW Maintenance, Internet Monitoring and Support, Verizon Cellular Backup Service (overages may apply), Cellular Backup Modem HW and SW Maintenance, MagTek CC Machine HW and SW Support, Network Monitoring Tool, Amazon Web Hosting, SMS Texting tool (usage based), Google API Integration.	\$525	Habit IT	Habit IT, Corporate IT Solutions; Verizon (Local) Wireless Provider
TOTAL	\$525		

Technology Services Fee

Service Description	Recurring Monthly Cost	Billed by	Payable to
App/Web/Kiosk/3 rd Party Integrations; Tracks Back Office (Food Cost/Labor/E-Learning/Etc.). Sales Polling, Food Costing, Labor Scheduling, E-Learning, Reporting, Employee Time Clock, Current/Future Initiatives, Mobile App iOS and Android, Web Ordering, Kiosks, 3 rd Party Integrations, Curbside, Future Initiatives.	\$325	Habit IT	Habit IT, Various 3 rd Party suppliers Corporate
TOTAL	\$325		

Third party suppliers are responsible for providing you some of the Services and related products and software identified in this letter, even if, for example, you make payments to us which we forward to the suppliers, some of the products are delivered to us instead of you, and/or we install or assist with the setup of the software. These third-party suppliers are responsible for providing you these Services, products and software, not us. We can make no warranty, express or implied, about these Services, products or software. You agree to raise any warranty or similar issues relating to these Services, products and software directly with the third-party supplier, not us.

For any Services that we provide directly to you, we warrant that all work performed shall be done in a good and workmanlike manner in accordance with the standards in the trade. If any of these Services fail to meet this standard, then we may, at our option, either perform the Services again or refund to you any amounts that you paid us relating specifically to the Services that failed to meet the standard. However, EXCEPT AS PROVIDED IN THE PRECEDING SENTENCE, WE MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE SERVICES WE PROVIDE, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE, AND WE HEREBY DISCLAIM THE SAME. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, WE MAKE NO WARRANTY THAT ANY COMPONENT OF YOUR IT SYSTEM (INCLUDING THE WIRING) WILL OPERATE UNINTERRUPTED OR ERROR FREE. In no event shall we be liable for any incidental, consequential, punitive or special damages. Our maximum aggregate liability with respect to the Services under or in connection with this letter agreement, whether in contract, warranty, tort (including negligence) or any other legal theory, shall in no circumstances exceed the price paid for the Services in question.

We reserve the right to add to, modify, or remove any of the Computer Systems, Maintenance, Help Desk and Support Services and Technology Services described in this letter agreement upon written notice to you. Any disputes related to this letter agreement shall be subject to the provisions of Section 17 of the Franchise Agreement. This letter agreement shall terminate upon the termination or expiration of the Franchise Agreement or 30 days after we provide you with written notice of our intent to terminate the letter agreement. However, the limitations in the preceding paragraph will survive any termination of this letter agreement.

To confirm that you have read, understand, and agree to the terms described in this letter, please sign below and return a copy to my attention.

Best regards,

HBG FRANCHISE, LLC

John Phillips
Chief Global Business Partnership Officer

Accepted and agreed:

[NAME OF FRANCHISEE]

EXHIBIT G-3
FINANCING LETTER AGREEMENT

LETTER AGREEMENT

[Bank
Address
Address]

[Franchisee
Address
Address]

[Brand/Yum
Address
Address]

Ladies and Gentlemen:

Reference is made to (a) that certain Guaranty Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified, the “Guaranty”), made by [Brand/Yum] (together with its successors, the “Guarantor”), in favor of [Bank] (together with its successors, the “Lender”) for the benefit of [Franchisee] (the “Borrower”); (b) that certain Loan Agreement, dated as of [Date], 2023 (as amended, supplemented or otherwise modified, the “Loan Agreement”), by and between the Lender, the Borrower and [Franchisee Guarantors] (the “Franchisee Guarantors”); (c) the Franchise Agreement(s) (each as amended, supplemented or otherwise modified, a “Franchise Agreement”), executed or to be executed by and between [Brand/Yum] and the Borrower for the operation of [Number] [Brand] restaurants (the “Restaurants”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Guaranty, the Loan Agreement or the Franchise Agreement, as applicable. For purposes of this Letter Agreement, the term “Affiliate” shall mean, with respect to any person or entity, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with, such first person or entity.

1. The Borrower and each Franchisee Guarantor each represent and warrant as to the following:

- (a) the Borrower is a [state of formation] [corporation/LLC] duly formed, validly existing and in good standing under the laws of the state of its formation and has full power and authority to execute, deliver and perform this Letter Agreement, the Loan Agreement and any other related document, as applicable. The Borrower is duly qualified to do business and is in good standing as a foreign limited liability company or a foreign corporation, as applicable, in each jurisdiction in which one or more Restaurants are located. The Borrower is a single purpose entity, the primary purpose of which is to own, operate and develop [Brand] Restaurants;

(b) each of the Borrower and each Franchisee Guarantor has the requisite power and authority to execute, deliver and perform its obligations under this Letter Agreement, the Loan Agreement, the Franchisee Guaranty (as defined below) and any other related document, as applicable. The execution, delivery and performance by the Borrower and each Franchisee Guarantor of this Letter Agreement and all other documents and instruments executed and delivered by the Borrower and each Franchisee Guarantor relating to this Letter Agreement have been duly authorized by all necessary corporate or other similar action. This Letter Agreement and all other documents and instruments executed and delivered by the Borrower and each Franchisee Guarantor relating to this Letter Agreement constitute valid and binding obligations of the Borrower and each Franchisee Guarantor and are enforceable against the Borrower and each Franchisee Guarantor in accordance with their terms, except as enforcement thereof may be limited by the effect of bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other similar laws affecting the rights and remedies of creditors, and the effects of general principles of equity, whether applied by a court of law or equity;

(c) the Borrower is not in default under any debt instrument, supply agreement or other material agreement. Neither the Borrower nor any of its Affiliates is in breach of any term of any franchise, license or other agreements with the Guarantor, its Affiliates or any Yum! Brands Concept nor does there exist any condition or conditions that, with the giving of notice, the passage of time, or both, would result in a default thereunder; and

(d) neither the Borrower nor any Franchisee Guarantor have knowledge of any existing default or breach by the Guarantor, or any Yum! Brands Concept under the terms of any contract to which they are party or any other claim for liability or damages against the Guarantor, or any Yum! Brands Concept.

2. The Borrower and each Franchisee Guarantor, as applicable, covenant to the following:

(a) the sole legal purpose of the Borrower will be to acquire, operate and own [Brand] restaurants. The Borrower will not own interests of any kind in any other business of any kind unless it first obtains the express written consent of the Guarantor;

(b) each Franchisee Guarantor shall execute and deliver, and the Borrower shall cause each Franchisee Guarantor to execute and deliver, to the Guarantor at or prior to [_____, 2023], or at any time after [_____, 2023] that any person becomes a Franchisee Guarantor, a guaranty substantially in the form of Exhibit A hereto (the “Franchisee Guaranty”), pursuant to which, among other things, each Franchisee Guarantor shall guarantee the obligations of the Borrower hereunder. Whenever this Letter Agreement requires the Borrower to take any action, such requirement shall be deemed to include an undertaking on the part of each Franchisee Guarantor to cause the Borrower to take such action;

(c) the Borrower shall not, without the prior written consent of the Guarantor, refinance or restructure (including entering into a sale-leaseback arrangement) any portion of the Borrower’s debt or equity incurred in connection with the Loan Agreement;

(d) the Borrower shall provide the Guarantor with an annual audited profit and loss statement, an annual statement of cash flows and a consolidated balance sheet within ninety (90) days after

the end of each of the Borrower's fiscal years. All financial reporting referred to in this subsection shall be prepared in accordance with United States generally accepted accounting principles consistently applied and shall be certified by the president or principal financial officer of the Borrower;

(e) each Franchisee Guarantor shall provide the Guarantor with annual financial statements of such Franchisee Guarantor within ninety (90) days after the end of each calendar year. All financial statements referred to in this subsection shall be prepared in accordance with United States generally accepted accounting principles consistently applied;

(f) the Borrower shall provide the Guarantor with quarterly business reports in a form reasonably required by the Guarantor, which shall include current loan balance information;

(g) the Borrower shall promptly and faithfully comply with, conform to and obey all present and future laws, ordinances, rules, regulations and all other legal requirements applicable to the Borrower and the Restaurants;

(h) the Borrower shall not dissolve, liquidate or consolidate with or otherwise acquire all or substantially all of the assets or properties of any other entity;

(i) no Franchisee Guarantor may sell, lease, transfer, encumber or otherwise dispose of any of its respective rights or interests in the Borrower without the prior written consent of the Guarantor;

(j) the Borrower shall maintain and keep all of the Borrower's properties and assets in good working order and condition and make all necessary and proper repairs and replacements;

(k) the Borrower shall abide by the terms of the Franchise Agreement, the Loan Agreement, this Letter Agreement and any other related document to which it is a party;

(l) the Borrower shall report immediately to the Guarantor the occurrence of any incident at or concerning the Restaurants or the business conducted there which is, or is likely to become, the subject of publicity through the news media or otherwise. The Borrower and the Franchisee Guarantors hereby acknowledge that the Guarantor alone is authorized to speak or make statements, public or private, on behalf of the [Brand] brand or the [Brand] system, and the Borrower and the Franchisee Guarantors shall in every instance consult and coordinate with the Guarantor in advance of communicating with the media or of creating publicity for the [Brand] brand or [Brand] system outside the normal course of business; and

(m) the Borrower hereby agrees to provide written notice to the Lender and the Guarantor, within three (3) calendar days of the occurrence of any of the following events; provided, however, that failure by the Borrower to notify the Lender and/or the Guarantor will not affect the Lender's or the Guarantor's obligations under the Loan Agreement or the Guaranty, respectively:

(i) upon any payment of principal, interest or fees relating to any Loans (as defined in the Guaranty) becoming more than thirty (30) days past due;

(ii) upon any Payment Default (as defined in the Guaranty);

- (iii) upon notice of Lender taking any actions to enforce the Lender's rights under the Loan Agreement or any collateral or other documents related thereto, including, without limitation, acceleration of any Loan or foreclosure on any collateral securing any Loan;
- (iv) upon any action or proceeding instituted or threatened by or against the Borrower or any Franchisee Guarantor in any federal or state court or by any commission or other regulatory body, whether federal, state or local, or of any proceedings threatened against the Borrower or any Franchisee Guarantor in writing, which, if determined adversely, could reasonably be expected to have a material adverse effect on the business, operations, properties, assets or the condition, financial or otherwise of the Borrower; and
- (v) upon a default, event of default or any condition or conditions that, with the giving of notice, the passage of time, or both, would result in a default or event of default, under the Loan Agreement or any other related document, including but not limited to adverse health department inspections.

In each case such notice will include, in reasonable detail, a description of the event or events that prompted the notice and the action which the Borrower proposes to take with respect thereto.

3. The Lender hereby agrees to provide prompt notice to the Guarantor, in accordance with the notice provisions set forth in Section 9 of the Guaranty, in each of the following instances regardless of whether the Guarantor has previously paid to Lender the Maximum Guaranteed Amount; provided, however, that failure by the Lender to notify the Guarantor will not affect Guarantor's obligations under the Guaranty:

- (a) upon any payment of principal, interest or fees relating to any Loan becoming more than 30 days past due;
- (b) upon any Payment Default (as defined in the Guaranty); and
- (c) at least ten (10) Business Days prior to taking any actions to enforce the Lender's rights under the Loan Agreement or any collateral or other documents related thereto, including, without limitation, acceleration of any Loan or foreclosure on any collateral securing any Loan.

4. If any payment of principal, interest or fees under the Loan Agreement or any related document has become more than thirty (30) days past due, the Guarantor shall have the right, in its sole discretion and regardless of whether the Guarantor has previously paid to Lender the Maximum Guaranteed Amount, to purchase from the Lender the outstanding obligations owing to the Lender by the Borrower under the Loan Agreement and related documents in accordance with the terms hereof (the "Purchase Option"), for a cash purchase price equal to the sum of the outstanding principal balance of the Loans plus accrued and unpaid interest thereon and fees related thereto at the non-default rate of interest plus all other outstanding obligations other than interest at the default rate (the "Purchase Option Price"). Guarantor shall provide written notice to the Lender of any election to exercise the Purchase Option. Following such notice, the Lender and the Guarantor will negotiate in good faith, and then execute and deliver assignments of the Loans and all related guarantees and collateral documents, in forms appropriate to the laws which govern

such documents. Any such assignments by the Lender shall be without recourse to, or warranty by, the Lender, except that the Lender shall warrant to the Guarantor (i) as to the outstanding amounts of principal, interest, fees and other amounts relating to the Loans which are being assigned under the Purchase Option, (ii) that the Lender is the owner of such Loans subject to the Purchase Option and other amounts free and clear of any liens, security interests, encumbrances or any other interests of any third parties, (iii) that the Lender has all necessary power and authority to sell such Loans in connection with the Purchase Option and to enter into the applicable assignments of the Loans and related guarantees and collateral documents and any related documents, and (iv) that the Lender has not modified, exchanged, waived, subordinated or released any security, collateral or other guaranty for the payment of the Guaranteed Obligations without the prior written consent of the Guarantor in accordance with Section 6 hereof. After such assignments of the Loans in connection with the Purchase Option, the assignment of all related guarantees and collateral documents, and the indefeasible payment in full of the Purchase Option Price, the Lender shall not maintain any lien or encumbrance on any collateral securing the Loans.

5. Without limiting the provisions of Section 4 above, the Guarantor shall have the right, in its sole discretion, to purchase from the Lender any payment or payments from time to time owing to the Lender by the Borrower under the Loan Agreement (the "Partial Purchase Option") at any time after such payment has been past due for at least thirty (30) days (the "Partial Purchase Option Trigger"), for a cash purchase price equal to the amount of such payment which is due and unpaid (the "Partial Purchase Option Price"). Unless such purchase of a payment is made following a Notice of Demand given by the Lender to the Guarantor in respect of such payment in accordance with Section 1 of the Guaranty, such purchase by the Guarantor shall not be deemed to be a payment by the Guarantor under the Guaranty and shall not reduce the Guarantor's obligations under the Guaranty. If the Guarantor elects to exercise its Partial Purchase Option under this Section 5, it will give written notice to the Lender of such election and the Guarantor and the Lender will negotiate in good faith, and will execute a form of assignment in respect of such payment. Any such assignments by the Lender shall be without recourse to, or warranty by, the Lender, except that the Lender shall warrant to the Guarantor (i) as to the type (whether principal, interest, fees or other costs relating to the Loans) of the payments being assigned under the Partial Purchase Option, (ii) that the Lender has a right to receive such payments being assigned under the Partial Purchase Option, and such rights to receive such payments are free and clear of any liens, security interests, encumbrances or any other interests of any third parties, and (iii) that the Lender has all necessary power and authority to assign such payments under the Partial Purchase Option and to enter into the applicable assignments of the payments subject to the Partial Purchase Option. The Borrower and each Franchisee Guarantor shall cooperate in good faith with respect to any such assignments in connection with Partial Purchase Options. The Guarantor's rights against the Borrower in respect of any such assigned payment under a Partial Purchase Option shall be waived and postponed to the rights of the Lender in respect of any amounts payable under the Loan Agreement which are not assigned to the Guarantor to the same extent as is set forth in the proviso to Section 13 of the Guaranty.

6. The Lender shall not modify, exchange, waive, subordinate or release any security, collateral or other guaranty for the payment of any Guaranteed Obligations without the prior written consent of the Guarantor (such consent not to be unreasonably withheld).

7. The Borrower and each Franchisee Guarantor hereby agree jointly and severally to reimburse the Guarantor for any and all payments paid by the Guarantor to the Lender under the Guaranty, including, without limitation, all costs and expenses paid pursuant to Section 10 of the Guaranty; provided that such rights of the Guarantor to such reimbursement shall be subordinate to the rights to payment of the

Lender under the Loan Agreement, and postponed until the Lender has been paid in full for all amounts owing to it under the Loan Agreement; provided, however, that such subordination shall not apply to any rights of the Guarantor or any of its Affiliates under any Franchise Agreement, including any rights to payment, fees or other amounts under any such Franchise Agreement. Further, each Franchisee Guarantor acknowledges and agrees that any rights of subrogation it may have with respect to any payments by it to the Lender under the Loan Agreement or any other related document, shall be subordinate to the rights to payment of the Lender and to the rights to reimbursement of the Guarantor (as set forth in this Section 7), and shall be postponed until the Lender and the Guarantor have each been paid in full for all amounts owing to each such party under the Loan Agreement, the Guaranty or any other related document.

8. The Borrower and each Franchisee Guarantor shall, jointly and severally, indemnify, defend and hold harmless the Guarantor and its respective officers, shareholders, directors, employees and Affiliates from and against any claim, liability, loss, damage, cost or expense (including court costs and reasonable attorneys' fees and expenses) arising from: (i) Borrower's ownership or operation of the Restaurants; (ii) any material misrepresentation, breach of warranty or non-fulfillment of any covenant or agreement on the part of the Borrower or any Franchisee Guarantor under this Letter Agreement or from any material misrepresentation in or omission from any instrument of the Borrower or any Franchisee Guarantor furnished to the Guarantor pursuant to this Letter Agreement; and/or (iii) the enforcement and protection of the rights of the Guarantor under this Letter Agreement, the Guaranty, the Franchise Agreements and any other related document, as applicable; provided that such rights of the Guarantor to any such indemnification and/or reimbursement of costs or expenses shall be subordinate to the rights to payment of the Lender under the Loan Agreement, and postponed until the Lender has been paid in full for all amounts owing to it under the Loan Agreement; provided, however, that such subordination shall not apply to any rights of the Guarantor or any of its Affiliates under any Franchise Agreement, including any rights to payment, fees or other amounts under any such Franchise Agreement.

9. The Lender, the Borrower and each Franchisee Guarantor each acknowledge and agree that, in accordance with the Guarantor's long-standing policy, the Guarantor will not permit the encumbrance of any direct or indirect beneficial or legal ownership interest in (i) the Borrower (except for the ownership interest of any Franchisee Guarantor), (ii) the Franchise Agreement, or (iii) any rights licensed to the Borrower by the Guarantor or any of its Affiliates (including, without limitation, intellectual property rights). Subject to the terms of this Letter Agreement, however, the Guarantor will permit the Lender to cure any monetary defaults by the Borrower under the Franchise Agreement; provided the Lender cures any such monetary defaults within the time provided under the Franchise Agreement and applicable law, if any. Notwithstanding the foregoing, nothing in this Letter Agreement shall be construed to limit, in any way, the Guarantor's rights under the Franchise Agreement, including relating to the transfer or disposition of the Franchise Agreement.

10. The Lender agrees that if, at any time after a default under the Loan Agreement, the Lender elects to transfer any owned properties or any lease or sublease related to any Restaurant to a third party for any use other than as a [Brand] restaurant, in addition to the requirements of Section 6 hereof, the Guarantor will have a prior right to acquire the affected properties on the same terms and conditions as those agreed to between the Lender and the third party. If the Lender reaches agreement with a third party regarding transfer, the Lender shall notify the Guarantor in a writing that describes the location of the property, the interest proposed to be transferred, and the terms of the transfer. Within thirty (30) days after receipt of the written notice from the Lender, the Guarantor may elect, in its sole discretion, to acquire the affected properties on the same terms agreed upon between the Lender and the third party.

11. Any breach by Borrower or failure by Borrower to comply with this Letter Agreement shall constitute a default under the Franchise Agreements for all the Restaurants.

12. Any notices and demands under this Letter Agreement shall be in writing and delivered to the intended party by hand-delivery or overnight courier service, mailed by certified or registered mail, or sent by e-mail, as follows:

- (a) if to the Guarantor, in accordance with Section 9 of the Guaranty;
- (b) if to the Lender, in accordance with Section 9 of the Guaranty;
- (c) [if to the Borrower, address, e-mail address; and
- (d) if to a Franchisee Guarantor, address, e-mail address;]

13. The validity, interpretation and enforcement of this Letter Agreement and any dispute arising hereunder, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York and further excluding any application of the New York Franchise Act if said statute would not by its terms otherwise apply.

14. The parties hereto hereby irrevocably consent and submit to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York for the County of New York and the United States District Court for the Southern District of New York, and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Letter Agreement or any of the other [Loan Documents] or in any way connected with or related or incidental to the dealings of the Guarantor and the Lender in respect of this Letter Agreement or any of the other [Loan Documents] or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above.

15. Each of the parties hereto hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails or by service upon such party in any other manner provided under the rules of any such courts.

16. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY THAT SUCH PARTY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS LETTER AGREEMENT OR ANY GUARANTEED OBLIGATIONS.

17. This Letter Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Letter Agreement.

Delivery of an executed counterpart of this Letter Agreement by an electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Letter Agreement. Any party delivering an executed counterpart of this Letter Agreement by an electronic method of transmission also shall deliver an original executed counterpart of this Letter Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Letter Agreement.

18. If one or more provisions of this Letter Agreement shall be held to be invalid, illegal or unenforceable under applicable law, the parties agree that the remainder of this Letter Agreement will remain valid and enforceable to the fullest extent permitted by law, and such term or condition shall be reformed to achieve as nearly as possible the same effect as the original term.

19. Guarantor may not assign this Letter Agreement (including without limitation any of its respective rights or obligations hereunder) without the prior written consent of Lender, such consent not to be unreasonably withheld. Lender may only assign this Letter Agreement subject to the terms of Section 14 of the Guaranty. Neither the Borrower nor any Franchisee Guarantor may assign this Letter Agreement (including without limitation any of their respective rights or obligations hereunder) without the prior written consent of each of Lender and Guarantor. Any assignment that does not comply with the terms of this Section 19 shall be deemed null and void and of no force or effect. This Letter Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and permitted assigns.

20. No waiver by any party of any breach or default under this Letter Agreement or any related agreements shall be deemed a waiver of any subsequent or other breach or default. Except as otherwise provided herein, a party to this Letter Agreement may waive a provision of this Letter Agreement or consent to any departure from the provisions of this Letter Agreement only by written notice to the other parties. Except as expressly provided otherwise herein, this Letter Agreement may not be amended except in writing, signed by all parties hereto, and any attempt at oral modifications of this Letter Agreement shall be void and of no effect.

Please confirm your agreement with the foregoing by executing this Letter Agreement and returning it to us.

Sincerely,

[Brand/Yum],
as Guarantor

By: _____
Name:
Title:

Acknowledged and agreed as of the date set forth above:

[BANK],
as Lender

By: _____
Name:
Title:

Acknowledged and agreed as of the date set forth above:

BY: [FRANCHISEE]
as Borrower

By: _____
Name:
Title:

Acknowledged and agreed as of the date set forth above:
[FRANCHISEE GUARANTORS]

Exhibit A
[Franchisee Guaranty]

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (as amended, supplemented, restated or otherwise modified from time-to-time, referred to herein as the "Guaranty"), dated as of _____, is made by _____ (together with its successors, the "Guarantor"), in favor of _____ (together with its successors, the "Lender").

WHEREAS, Guarantor operates and franchises the _____ restaurant concept in _____ ("Brand Concept");

WHEREAS, _____ (the "Borrower"), and Lender have entered into that certain _____ dated as of the date hereof (as such agreement may be amended, modified, restated or otherwise supplemented from time to time, the "Loan Agreement"), pursuant to which Lender has agreed to make certain loans (the "Loans") available to Borrower to establish and maintain a certain franchise of Guarantor (unless otherwise defined herein, or unless the context otherwise requires, each term used herein with its initial letter capitalized shall have the meaning given such term in the Loan Agreement);

WHEREAS, LENDER has required, as a condition to making the Loans to Borrower under the Loan Agreement, that Guarantor execute and deliver this Guaranty;

WHEREAS, LENDER and GUARANTOR have entered into that certain Letter Agreement dated as of the date hereof (as such agreement may be amended, modified, restated or otherwise supplemented from time to time, the "Letter Agreement"); and

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Guarantor, Guarantor hereby covenants and agrees as follows:

Guaranty. Guarantor hereby absolutely and unconditionally guarantees the prompt, complete and full payment of the Guaranteed Obligations (as defined below) up to the Maximum Guaranteed Amount (as defined below), within ten (10) business days of written demand by Lender to Guarantor (a "Notice of Demand") as set forth below. This Guaranty is a guaranty of payment and not of collection. This Guaranty does not in any way cancel, amend, discharge or limit any other guaranty executed by Guarantor in favor of Lender.

Any Notice of Demand shall be substantially in the form of Exhibit A hereto and may only be delivered upon:

failure by Borrower to make any principal and/or interest payment under the Loan Agreement when due and such failure continues for more than ninety (90) consecutive days (a "Payment Default"); and/or

acceleration of the Loans pursuant to the terms of the Loan Agreement.

Within ten (10) business days of delivery of a Notice of Demand, Guarantor shall pay the lesser of (A) the amount demanded in such Notice of Demand, or (B) the sum of (x) the Maximum Guaranteed Amount minus (y) any Prior Payments (as defined below).

As used herein, the term "Affiliate" shall mean, with respect to any person or entity, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with, such first person or entity.

As used herein, the term “Guaranteed Obligations” shall mean the first _____ of the original principal amount of the Loans, and accrued interest thereon, which amount shall be reduced as amortized over the term of the Loan. For avoidance of doubt, the Guaranteed Obligations shall be the first amounts reduced by amortization of the total original principal amount of the Loans. The Loans shall not be refinanced, renewed, extended, substituted or otherwise modified unless Guarantor expressly agrees in writing.

As used herein, the term “Maximum Guaranteed Amount” shall mean the amount of the Guaranteed Obligations, which in no event shall be greater than _____.

As used herein, the term “Prior Payments” shall mean the aggregate amount of any and all amounts previously paid by Guarantor under this Guaranty.

Termination of Guaranty. This Guaranty will continue to be in full force and effect until the earliest of (i) final payment in full of all of the Guaranteed Obligations, (ii) payment by the Guarantor of payments hereunder which total the Maximum Guaranteed Amount, (iii) consummation of Guarantor’s Purchase Option in accordance with the terms set forth in the Letter Agreement, or (iv) Lender’s written termination thereof.

Reinstatement. Guarantor agrees that to the extent any payment or transfer is received by Lender in connection with the Guaranteed Obligations, and all or any part of such payment or transfer is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be transferred or repaid by Lender or transferred or paid over to a trustee, receiver or any other entity, whether under any bankruptcy act or otherwise (any of such payments or transfers are hereinafter referred to as a “Preferential Payment”), then this Guaranty shall continue to be effective or shall be reinstated, as the case may be, and whether or not Lender is in possession of this Guaranty, or whether the Guaranty has been marked paid, released or canceled, or returned to Guarantor and, to the extent of any such payment, repayment or transfer by Lender, the Guaranteed Obligations or part intended to be satisfied by the Preferential Payment shall be revived and shall continue in full force and effect as if the Preferential Payment had not been received by Lender. Notwithstanding the previous sentence, if all payments by Guarantor which are not Preferential Payments total the Maximum Guaranteed Amount, then this Guaranty shall be or remain terminated and shall not continue to be effective or be reinstated, as the case may be.

Changes to Guaranteed Obligations. Except as set forth in the Letter Agreement, Guarantor authorizes Lender, without notice, consent or demand and without affecting Guarantor’s liability under this Guaranty, to do any of the following: (i) take and hold security from the Borrower for the payment of any Guaranteed Obligations, and to exchange, enforce, foreclose, waive, subordinate and release any security and to apply the proceeds of the security as Lender in its reasonable discretion determines; and (ii) obtain a guaranty of any Guaranteed Obligations from any one or more other persons whomsoever and at any time or times to enforce, waive, rearrange, modify, limit or release such other persons from their obligations under such guaranties.

Automatic Acceleration. Guarantor agrees that if the maturity of any Guaranteed Obligations is accelerated by bankruptcy or otherwise, the maturity thereof shall also be deemed accelerated for the purpose of this Guaranty and the Guaranteed Obligations up to the Maximum Guaranteed Amount shall be payable by Guarantor upon demand and notice to Guarantor.

Waivers of Guarantor. To the extent not prohibited by applicable law and except as otherwise provided herein, Guarantor waives: (i) diligence and promptness in preserving liability of any person on Guaranteed Obligations, and in collecting or bringing suit to collect Guaranteed Obligations; (ii) presentment, demand for payment, notice of dishonor or nonpayment, protest and notice of protest, or any other notice of any other kind with respect to the Guaranteed Obligations, except as set forth in Section 1 above and in the Letter Agreement;

(iii) any requirement that suit be brought against, or any other action by Lender be taken against, or any notice of default or other notice to be given to, or any demand to be made on, Borrower or any other person; and (iv) notice of acceptance of this Guaranty, creation of the Guaranteed Obligations, failure to pay the Guaranteed Obligations as they mature, any other default, adverse change in Borrower's financial condition, release or substitution of collateral, subordination of Lender's rights in any other collateral, and every other notice of every kind, except as provided herein or in the Letter Agreement. Guarantor irrevocably waives, and agrees that it shall not seek to enforce or collect upon, any rights which Guarantor now has or may acquire against Borrower, either by way of subrogation, indemnity, reimbursement or contribution, as a result of any amount paid by Guarantor to Lender under this Guaranty (the "Subordinated Obligations") until 91 days after all Guaranteed Obligations of Borrower to Lender arising under the Loan Agreement have been paid in full. If any amount is paid to Guarantor on account of any such Subordinated Obligations, the amount shall be held in trust for the benefit of Lender and shall, to the extent such amount is less than the Maximum Guaranteed Amount, be promptly paid to Lender to be credited and applied to such Guaranteed Obligations, whether matured or unmatured or absolute or contingent, in accordance with the terms of the Loan Agreement. For the avoidance of doubt, the Subordinated Obligations shall not include any payments, fees or other amounts owed to Guarantor or any of its Affiliates under any Franchise Agreement and none of the waivers by Guarantor set forth in this Guaranty shall apply to the rights of Guarantor or any of its Affiliates under any such Franchise Agreement.

Guaranty Absolute. The liability of the Guarantor to Lender under this Guaranty shall be absolute and unconditional. Guarantor will remain liable for all of the Guaranteed Obligations up to the Maximum Guaranteed Amount even though any Guaranteed Obligations may be unenforceable against or uncollectible from Borrower or any other person due to incapacity, lack of power or authority, discharge or for any other reason whatsoever. Without limiting the foregoing, but subject thereto, Guarantor's liability to Lender under this Guaranty is absolute and unconditional irrespective of: (i) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure, render unenforceable or otherwise affect any term of the Loan Agreement or Guaranteed Obligations; (ii) any lack of validity or enforceability of the Loan Agreement or Guaranteed Obligations against Borrower or any other person due to incapacity, lack of power or authority, discharge or for any reason whatsoever; (iii) any set-off, defense or counterclaim whatsoever (in any case, whether based on contract, tort or any other theory) with respect to any Guaranteed Obligations, the Loan Agreement or the transactions contemplated thereby which might constitute a legal or equitable defense available to, or discharge of, Borrower, a guarantor, or any other obligor on any Guaranteed Obligations; (iv) any war, riot or revolution impacting multinational companies or any act of expropriation, nationalization or currency inconvertibility or nontransferability arising from governmental, legislative or executive measures affecting Borrower or the property of Borrower; (v) the bankruptcy, insolvency, dissolution or liquidation of Borrower or the appointment of a trustee, custodian, receiver or liquidator of all or any substantial part of the assets of Borrower; (vi) any change in the time, manner or place of payment of all or any of the Guaranteed Obligations; or (vii) any change in the name, constitution or capacity of Lender or Borrower. Guarantor waives Guarantor's right to assert those defenses, set-offs, or counterclaims in any litigation or other proceeding relating to Guaranteed Obligations, except as provided herein.

Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.

The validity, interpretation and enforcement of this Guaranty and any dispute arising hereunder, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York and further excluding any application of the New York Franchise Act if said statute would not by its terms otherwise apply.

The parties hereto hereby irrevocably consent and submit to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York for the County of New York and the United States District Court for the Southern District of New York, and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty or the Loan Agreement or any other Loan documents or in any way connected with or related or incidental to the dealings of the Guarantor and the Lender in respect of this Guaranty or any of the Loan Agreement or any other loan documents or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above.

Each of the parties hereto hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails or by service upon such party in any other manner provided under the rules of any such courts.

TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY THAT SUCH PARTY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS GUARANTY OR ANY GUARANTEED OBLIGATIONS.

Notices. Any notices and demands under this Guaranty shall be in writing and delivered to the intended party by hand-delivery or overnight courier service, mailed by certified or registered mail, or sent by e-mail, as follows:

if to Guarantor, to it at:

e-mail: _____;

and

if to Lender, to it at:

e-mail: _____;

Any party hereto may change its address or e-mail address for notices and other communications hereunder by notice to the other parties as provided herein. All notices and other communications given to any party hereto in accordance with the provisions of this Guaranty will be deemed to have been given on the date of receipt.

Cost and Expenses. To the maximum extent not prohibited by applicable law and subject to the Maximum Guaranteed Amount, Guarantor agrees to pay on demand all reasonable expenses (including without limitation the fees and expenses of counsel for Lender and outside counsel) incurred by Lender in connection with the enforcement and collection of any obligation of Guarantor under this Guaranty. The obligations of Guarantor under this Section 10 will survive the termination of this Guaranty.

Payments Generally. All payments by Guarantor hereunder shall be made in the manner, at the place, and in the currency required by the Loan Agreement or related documents.

Severability. The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, or reorganization law, or other law affecting the rights of creditors generally, if the obligations of Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by Guarantor or Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding.

Subrogation. Guarantor shall be subrogated to all rights of Lender against Borrower in respect of any amounts paid by Guarantor pursuant to this Guaranty; provided, however, that Guarantor hereby waives any rights it may acquire by way of subrogation under this Guaranty, by any payment made hereunder (including without limitation any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. § 509, or otherwise), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of Lender against Borrower, or any collateral which Lender now has or requires, until all of the Guaranteed Obligations shall have been irrevocably and indefeasibly paid to the Lender in full. For the avoidance of doubt, this Section 13 shall not apply to any rights of Guarantor or any of its Affiliates under any Franchise Agreement, including any rights to payment, fees or other amounts under any such Franchise Agreement.

Assignment; Successors and Assigns. Guarantor may not assign or delegate this Guaranty (including without limitation any of its respective rights or obligations hereunder) without the prior written consent of Lender. Prior to the occurrence and continuance of an Event of Default under the Loan Agreement, Lender may not assign this Guaranty in whole or in part without the prior written consent of Guarantor; provided, however, that Lender may assign this Guaranty in whole but not in part with prior notice to, but without consent from, the Guarantor only to any of its Affiliates or to a fund owned or managed by Lender or one of its Affiliates. Subsequent to the occurrence and continuance of an Event of Default under the Loan Agreement which has not been cured, subject to the following sentence, there shall be no restriction on the assignment rights of Lender hereunder. In any event, any assignee of this Guaranty must, as a condition precedent to such assignment, assume the assignor's obligations under the Letter Agreement. Any assignment that does not comply with the terms of this Section 14 shall be deemed null and void and of no force or effect. This Guaranty shall be binding upon and inure to the benefit of each party hereto and their respective successors and permitted assigns.

Amendments. No amendment or other modification of the terms of this Guaranty shall be effective unless in writing and signed by Guarantor and Lender and so stating that it is expressly intended to give effect to the applicable amendment or modification hereto. No waiver of any provision of this Guaranty nor consent

to any departure by Guarantor therefrom shall in any event be effective unless such waiver shall refer to this Guaranty, be in writing and be signed by Lender. Any such waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

Representations and Warranties. Guarantor represents and warrants to Lender as follows: (a) Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to execute, deliver and perform this Guaranty; (b) the execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene Guarantor's constitutional documents or any contractual restriction binding on the Guarantor or its assets; (c) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against it by Lender in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or effecting creditor's rights and to general equity principles; and (d) Guarantor has not made a transfer or incurred any obligations with the intent to hinder, delay or defraud any of Guarantor's present or future creditors.

All the representations and warranties of Guarantor contained herein: (i) shall survive the execution and delivery of this Guaranty and also the making and satisfaction of each extension of credit comprising the Guaranteed Obligations; and (ii) shall continue to be effective whenever made or deemed to be made until all of the Guaranteed Obligations up to the Maximum Guaranteed Amount have been indefeasibly repaid in full.

Taxes. All payments made by Guarantor to Lender hereunder shall be made free and clear of and without deduction for any and all present and future taxes, levies and withholdings, including stamp and documentary taxes, other than taxes imposed on the net income of Lender (collectively, the "Taxes"). If Guarantor is required by law to deduct any Taxes from or in respect of any amount paid or payable hereunder, such amount shall be increased as necessary so that Lender receives an amount equal to the sum it would have received had no such deduction been made and Guarantor shall pay same to the relevant taxing authority and give to Lender acceptable evidence of such payment. The provisions of this Section 17 as they pertain to Taxes shall survive payment in full hereunder.

Miscellaneous. Guarantor's liability under this Guaranty is independent of its liability under any other guaranty previously or subsequently executed by Guarantor or any one of them, singularly or together with others, as to all or any part of the Guaranteed Obligations, and may be enforced for the full amount of this Guaranty regardless of Guarantor's liability under any other guaranty. This Guaranty binds Guarantor's heirs, successors and assigns, and benefits Lender and its successors and permitted assigns. The use of headings does not limit the provisions of this Guaranty.

THIS GUARANTY TOGETHER WITH THE LETTER AGREEMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO GUARANTOR'S GUARANTY OF GUARANTEED OBLIGATIONS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. NO COURSE OF DEALING BETWEEN GUARANTOR AND LENDER, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EXTRINSIC EVIDENCE OF ANY NATURE MAY BE USED TO CONTRADICT OR MODIFY ANY TERM OF THIS GUARANTY, THE LETTER AGREEMENT. THERE ARE NO ORAL AGREEMENTS BETWEEN GUARANTOR AND LENDER.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed by its authorized officer as of the day and year first above written.

By: _____
Name:
Title:

Acknowledged and agreed to:

By: _____
Name:
Title:

EXHIBIT A TO GUARANTY AGREEMENT

FORM OF NOTICE OF DEMAND

[DATE]

[BRAND/YUM]

[●]

Ladies and Gentlemen:

Reference is made to (a) that certain Guaranty Agreement, dated as of [●] (the “Guaranty”), made by [Yum] (together with its successors, the “Guarantor”), in favor of [●] (together with its successors, the “Lender”); (b) that certain [Loan Agreement], dated as of [●] (the “Loan Agreement”), by and between the Lender and [●] (the “Borrower”); and (c) that certain Letter Agreement, dated as of [●],(the “Letter Agreement”), by and between, *inter alios*, the Guarantor, the Lender and the Borrower. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Guaranty, the Loan Agreement or the Letter Agreement, as applicable.

We hereby certify that there has been a [Payment Default pursuant to Section [●] of the Loan Agreement] [an acceleration of the [Loans] pursuant to Section [●] of the Loan Agreement]. We further certify to the following:

The principal amount outstanding of the [Loans] as of [date] is _____.

The amount of principal past due is _____ and the amount of interest past due is _____.

The aggregate amount of payments received by Lender from Guarantor to date is _____.

We hereby provide notice of demand for payment by the Guarantor of _____, pursuant to, and in accordance with, Section 1 of the Guaranty. Please provide payment to the order of [●] in the form of [●] at the following [address][direction]:

[Address or account details]

Regards,
[LENDER]

By: _____

Name:

Title:

Guaranty Agreement

EXHIBIT H

STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS

**ADDENDUM TO
HBG FRANCHISE, LLC
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT**

The following are additional disclosures for the Franchise Disclosure Document of HBG Franchise, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

CALIFORNIA

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

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION & INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

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

4. Franchisees and all owners must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk if your franchise fails.

5. Item 3 of the Disclosure Document is amended to provide that neither the franchisor, nor any person in Item 2 of the Disclosure Document, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in that association or exchange.

6. The following language is added to the “Remarks” column of the line-item titled “Interest” in Item 6:

The highest interest rate allowed under California law is 10% annually.

7. As stated in Item 12, 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.

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

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise. If the Franchise Agreement or the Area Development Agreement contain any provision that is inconsistent with the law, the law will control.

Liquidated Damages Provision. The Franchise Agreement and the Area Development Agreement contain liquidated damages clauses. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Termination Upon Bankruptcy. The Franchise Agreement and the Area Development Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

Releases. 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).

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

ILLINOIS

1. The following statements are added to the end of Item 17:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

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

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

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

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

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

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

VIRGINIA

1. The following language is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision might not be enforceable.

WASHINGTON

1. The following paragraphs are added at the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**ASSURANCE OF DISCONTINUANCE
STATE OF WASHINGTON**

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance (“AOD”) with the State of Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees and/or our employees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE HBG FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “**Rider**”) is made and entered into as of the ___ day of _____, 20___ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20___ that has been signed at the same time as this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Habit Burger Restaurant that you will operate under the Franchise Agreement was made in the State of Illinois and the Habit Burger Restaurant will be located in Illinois, and/or (b) you are a resident of Illinois.

2. **Termination.** The following language is added to the end of Sections 14 of the Franchise Agreement:

Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 17.F. and 17.G. of the Franchise Agreement:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

4. **Waiver of Jury Trial.** The following sentence is added to the end of Section 17.H. of the Franchise Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

5. **Illinois Franchise Disclosure Act.** The following language is added as a new Section 21 of the Franchise Agreement:

21. **Illinois Franchise Disclosure Act.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

**RIDER TO THE HBG FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “**Rider**”) is made and entered into as of the ___ day of _____, 20___ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20___ that has been signed at the same time as this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Habit Burger Restaurant that you will operate under the Franchise Agreement was made in the State of New York and/or (b) you are a resident of New York and the Habit Burger Restaurant will operate in New York.

2. **Transfer by Us.** The following language is added to the end of Section 12.A. of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **Agreements/Releases.** Sections 12.C.(8) and 13.C. of the Franchise Agreement are amended by adding the following:

Provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

4. **Termination by You.** The following language is added at the end of Section 14.A. of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 17.F. and 17.G. of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you

by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **Limitation of Claims**. The following sentence is added to the end of Section 17.J. of the Franchise Agreement:

To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

**RIDER TO THE HBG FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “**Rider**”) is made and entered into as of the ___ day of _____, 20__ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Habit Burger Restaurant you will operate under the Franchise Agreement will be located in Washington; and/or (b) you are a resident of Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **Addition of Paragraphs.** The following is added to the end of the Franchise Agreement:

In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “**Act**”), the Franchise Agreement of HBG Franchise, LLC shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

To the extent required by the Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT**

**RIDER TO THE HBG FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “**Rider**”) is made and entered into as of the ___ day of _____, 20___ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Area Development Agreement dated _____, 20___ that has been signed at the same time as this Rider (the “**Area Development Agreement**”). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the offer or sale of the Area Development rights under the Area Development Agreement was made in the State of Illinois and the Development Area will be located in Illinois, and/or (b) you are a resident of Illinois.

2. **Termination.** The following language is added to the end of Sections 8 of the Area Development Agreement:

Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 17.F. and 17.G. of the current form of Franchise Agreement, which we incorporate by reference under Section 10 of the Area Development Agreement, is amended by adding the following:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

4. **Waiver of Jury Trial.** The following sentence is added to the end of Section 17.H. of the current form of Franchise Agreement, which we incorporate by reference under Section 10 of the Area Development Agreement, is amended by adding the following:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

5. **Illinois Franchise Disclosure Act.** The following language is added as a new Section 12 of the Area Development Agreement:

12. **Illinois Franchise Disclosure Act.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

DEVELOPER

(IF YOU ARE SIGNING AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

DATED: _____

(IF YOU ARE SIGNING INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

**RIDER TO THE HBG FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “**Rider**”) is made and entered into as of the ___ day of _____, 20___ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Area Development Agreement dated _____, 20___ that has been signed at the same time as this Rider (the “**Area Development Agreement**”). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the offer or sale of the Area Development rights under the Area Development Agreement was made in the State of New York, and/or (b) you are a resident of New York and the Development Area will be located in New York.

2. **Transfer by Us.** The following language is added to the end of Section 7.A. of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **Termination by You.** The following language is added at the end of Section 8. of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Sections 17.F. and 17.G. of the current form of Franchise Agreement, which we incorporate by reference under Section 10 of the Area Development Agreement, is amended by adding the following:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

5. **Limitation of Claims.** The following sentence is added to the end of Section 17.J. of the current form of Franchise Agreement, which we incorporate by reference under Section 10 of the Area Development Agreement, is amended by adding the following:

To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

DEVELOPER

(IF YOU ARE SIGNING AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

DATED: _____

(IF YOU ARE SIGNING INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

**RIDER TO THE HBG FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “**Rider**”) is made and entered into as of the ___ day of _____, 20___ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **HBG FRANCHISE, LLC**, a Delaware limited liability company located at 1 Glen Bell Way, Irvine, CA 92618 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** We and you are parties to that certain Area Development Agreement dated _____, 20___ that has been signed at the same time as this Rider (the “**Area Development Agreement**”). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Development Area under the Area Development Agreement will be located in Washington; and/or (b) you are a resident of Washington; and/or (c) any of the offering or sales activity relating to the Area Development Agreement occurred in Washington.

2. **Addition of Paragraphs.** The following is added to the end of the Area Development Agreement:

In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “**Act**”), the Area Development Agreement of HBG Franchise, LLC shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

To the extent required by the Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

HBG FRANCHISE, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

DEVELOPER

(IF YOU ARE SIGNING AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signatory: _____

DATED: _____

(IF YOU ARE SIGNING INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

NEW YORK REPRESENTATIONS PAGE

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

EXHIBIT I
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 state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Michigan	Pending
New York	Pending
Virginia	Pending
Washington	Pending
Wisconsin	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.

Item 23

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If HBG Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If HBG Franchise, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is HBG Franchise, LLC, located at 1 Glen Bell Way, Irvine, CA 92618. Its telephone number is (949) 851-8881.

Issuance date: April 5, 2023

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows (circle those who apply to this transaction): John Phillips, 1 Glen Bell Way, Irvine, CA 92618, 949-851-8881; Crystal Wells, 1 Glen Bell Way, Irvine, CA 92618, 949-851-8881; and _____.

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I received a Disclosure Document dated April 5, 2023, from HBG Franchise, LLC that included the following Exhibits:

- A. List of State Administrators/Agents for Service of Process
- B. Franchise Agreement
- B-1. Area Development Agreement
- C. Financial Statements
- D. Operations Manual Table of Contents
- E. List of Franchisees and Area Developers as of 12/31/22
- F. General Release
- G-1. IT Services Letter Agreement - Traditional Restaurants
- G-2. IT Services Letter Agreement - Drive Thru Restaurants
- G-3. Financing Letter Agreement
- H. State Addenda and Franchise Agreement Riders
- I. State Effective Dates

Date
(Sign, Date and Keep This Copy for Your
Records)

Prospective Franchisee

Authorized Signature

Item 23

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- H. State Addenda and Franchise Agreement Riders
- I. State Effective Dates

Date

Prospective Franchisee

(Sign, Date and Keep This Copy for Your
Records)

Authorized Signature