

FRANCHISE DISCLOSURE DOCUMENT



Balance Franchise Group LLC
(an Ohio limited liability company)
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A “Balance Pan-Asian Grille” franchisee will operate a brick-and-mortar restaurant business offering, among other things, a specialty menu of Asian-Fusion items for on-premises and carry-out consumption.

The total investment to begin operation of a Balance Pan-Asian Grille franchised restaurant ranges from \$733,192 to \$1,231,080. This includes \$45,000 to \$58,000 that must be paid to the franchisor or an affiliate. If you wish to sign a development agreement, then the total investment needed to begin operation would be multiplied by the number of units that you agree to open (the minimum is two restaurants), after applying a discounted initial franchise fee. (For example, for a two-unit development agreement, the total investment would be \$1,499,284 to \$2,462,160, which includes \$104,000 to \$116,000 that must be paid to the franchisor or an affiliate.)

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Cameron Cummins at Balance Franchise Group LLC, 215 North Summit St., Toledo, OH 43604 (phone: 419-893-9999).

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

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

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

The issuance date of this Franchise Disclosure Document is May 19, 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 H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only “Balance Pan-Asian Grille” 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 “Balance Pan-Asian Grille” franchisee?	Item 20 or Exhibit H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

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

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

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Item 1 **The Franchisor and any Parents, Predecessors, and Affiliates**

The Franchisor

The Franchisor is Balance Franchise Group LLC In this disclosure document (“**FDD**”), we refer to “Balance Franchise Group LLC” as “**we**”, “**us**”, “**our**” or “**BFG**”. We were formed as an Ohio corporation on October 29, 2021. We conduct business under our corporate name and the name and mark “Balance Pan-Asian Grille.” We do not do business under any other name. Our principal place of business is 215 N. Summit Street, Toledo, Ohio 43604. Our agents for service of process are listed on Exhibit D to this Franchise Disclosure Document.

We do not engage in business activities other than franchising “Balance Pan-Asian Grille” businesses. We began offering “Balance Pan-Asian Grille” when we issued this disclosure document. We have never offered franchises in any other lines of business.

Our Parents, Predecessors, and Affiliates

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

Affiliate	Role
Balance Syndicated LLC (“ Balance Syndicated ”), an Ohio limited liability company formed on December 30, 2015.	Balance Syndicated owns our trademarks and other intellectual property.
Syndicate B LLC (“ Syndicate B ”), an Ohio limited liability company formed on December 30, 2015.	Syndicate B was formed to, through wholly-owned subsidiaries, operate Restaurants. Syndicate B is the immediate parent and sole member of Central Operator, Perrysburg Operator, and Toledo Operator.
Balance Central LLC (“ Central Operator ”), an Ohio limited liability company formed on December 13, 2011.	Central Operator operates the affiliate-owned Restaurant located at 5860 W Central Avenue, Toledo, Ohio 43615 (its principal place of business).
Balance Perrysburg LLC (“ Perrysburg Operator ”), an Ohio limited liability company formed on March 9, 2015.	Perrysburg Operator operates the affiliate-owned Restaurant located at 26520 N Dixie Hwy, Perrysburg, Ohio 43551 (its principal place of business).
Balance Toledo LLC (“ Toledo Operator ”), an Ohio limited liability company formed on June 2, 2017.	Toledo Operator operates the affiliate-owned Restaurant located at 215 N Summit Street, Toledo, Ohio 43604 (its principal place of business).

Affiliate	Role
Balance Beacon LLC (“ Beacon Operator ”), an Ohio limited liability company formed on June 2, 2017.	Beacon Operator operates the affiliate-owned Restaurant located at 515 Euclid Ave, Cleveland, OH 44114 (its principal place of business).
Balance Campus LLC (“ Balance Campus ”), an Ohio limited liability company formed on April 23, 2014	Balance Campus supplies our company-owned stores and franchisees with branded merchandise, apparel, and specific inventory items such as BubbleTea supplies.

The Franchise Offered

We offer franchises for the establishment and operation of “Balance Pan-Asian Grille” brick-and-mortar restaurant businesses which feature, among other things, a specialty menu of Asian-Fusion items (“**Restaurants**”). Restaurants specialize in the sale of freshly prepared snacks, bowls, Asian tacos, bubble teas, proprietary sauces, and other products that we may periodically specify for on-premises and carry-out consumption, which may include proprietary items, as well as non-proprietary Items to customers on-site (collectively, the “**Products**”). The services associated with offering Products to consumers are referred to as the “**Services**”.

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

You must operate your Restaurant in accordance with our standards and procedures, as set out in our confidential franchise brand standards manual (the “**Franchise Brand Standards Manual**”). We will lend you, or make available electronically, a copy of the Franchise Brand Standards Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark “Balance Pan-Asian Grille” and any other trade names and marks that we designate in writing for use with the System (the “**Proprietary Marks**”).

Restaurants will be operated from an indoor structure that need not be free-standing, in a target range of approximately 2,000 to 2,400 square feet in size and are decorated to meet our specifications (including the use of our trade dress, trademark, and design).

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified entities and persons that wish to establish and operate Restaurants. (In this disclosure document, “**you**” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee.”) We award franchises in our discretion, and in order to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee’s financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A.

We may also offer area development agreements ("**Development Agreements**") to qualified parties ("**Developers**"). Our current form of Development Agreement is attached to this Disclosure Document as Exhibit B. If you sign a Development Agreement, we will grant you the right, and you will accept the responsibility, to establish an agreed-upon number of Restaurants within an agreed-upon designated area (the "**Development Area**"), under an agreed-upon timetable (the "**Development Schedule**"). Each Restaurant will be constructed and operated under a separate Franchise Agreement. The Franchise Agreement for the first Restaurant developed under the Development Agreement will be in the form attached to the Development Agreement. The Franchise Agreement for each additional Restaurant developed will be in the form of the Franchise Agreement that we generally offer to new franchisees at that time.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your Restaurant operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant. You must also follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer credit card transactions. Finally, due to the global coronavirus pandemic, some government agencies have ordered (or suggested) that foodservice businesses temporarily close and only offer drive-through, carryout and delivery service, or have otherwise severely limited clientele from patronizing restaurant businesses. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

Competition

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

Item 2**Business Experience**

The following individuals have management responsibility for the sale or operation of the franchise offered by this disclosure document. Unless otherwise noted, their present place of business is in Toledo, Ohio.

Founder and Chief Executive Officer Prakash Karamchandani

Mr. Karamchandani has been our Chief Executive Officer since we formed in October 2021. He has also served as the Chief Executive Officer of our affiliate, Syndicate B, since its formation in December 2015.

Chief Brand Officer Ho Chan Jang

Mr. Jang has been our Chief Brand Officer since we formed in October 2021. He has also served as the Chief Operations Officer of our affiliate, Syndicate B, since its formation in December 2015.

John Bryon Stephens Chief Development Officer

Mr. Stephens, a co-Founder of Pivotal Growth Partners in Chicago, a position he has held since it was formed in January 2018, is an independent contractor who first engaged with us in October 2021 to serve as our Chief Development Officer. He also currently serves as Co-Chief Development Officer for JII Franchise Group, LLC based in Orlando, Florida, a position he has held since February 2019. Mr. Stephens served as CEO of the Extreme Leadership Institute in San Diego from October 2017 to October 2018. Mr. Stephens served Marco's Franchising, LLC as its President and Chief Development Officer from October 2016 to December 2017, its President and Chief Operating Officer from April 2014 to October 2016, its Chief Operating Officer from April 2013 to April 2014, and Vice President of New Business Development from January 2006 to April 2013.

Cameron Cummins Chief Franchise Officer

Mr. Cummins, a Co-Founder of Pivotal Growth Partners in Chicago, a position he has held since it was formed in January 2018, is an independent contractor first engaged with us in October 2021 to serve as our Chief Franchise Officer. Mr. Cummins owns and since January 2001 has operated the inHouse Marketing Agency in Chicago, Illinois. He also currently serves as Co-Chief Development Officer for JII Franchise Group, LLC based in Orlando, Florida, a position he has held since February 2019. From January 2006 – November 2016, Mr. Cummins served as Chief Development Officer for Marco's Franchising, LLC in Toledo, Ohio.

Casey Cooley Director of Franchise Sales and Real Estate Development

Mr. Cooley, President of Pivotal Growth Partners in Chicago, a position he has held since January 2023, is an independent contractor who first engaged with us in October 2021 to serve as our Director of Development. He also currently serves as Director of Franchise Development and Real Estate for Jeremiah's Franchise Group, a position he has held since February 2019. Prior to his role as President of Pivotal Growth Partners, he served as Director of Franchise Sales and Real Estate Development from January 2019 – December 2022. From April 2018 to December 2018, he served as Regional Director of Development with Icahn Automotive Group in Philadelphia. From July 2016 to April 2018, Mr. Cooley served as Director of Franchise Development for Marco's Franchising LLC in Toledo, Ohio.

Amanda Szparka Development Manager

Ms. Szparka, Vice President Strategy & Systems for Pivotal Growth Partners in Chicago, a position she has held since January 2023, is an independent contractor who first engaged with us in October 2021 to serve as our Development Manager. Prior to her role as VP Strategy &

Systems, she served as Director of Business Development for Pivotal Growth Partners from January 2019 – December 2022. From January 2015 to November 2018, she served as Franchise Development / Operations Project Manager for Marco's Franchising LLC in Toledo, Ohio.

Item 3

Litigation

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

Item 4

Bankruptcy

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

Item 5

Initial Fees

Initial Franchise Fee

The initial franchise fee is \$35,000 and will be due when you sign the Franchise Agreement.

The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, and is non-refundable. The initial franchise fee is uniform for new franchisees.

Veterans, Active Duty, and First Responders Discount. We offer a 20% discount from the initial franchise fee for qualified U.S. military veterans and active-duty personnel as well as First Responders (firefighters, law enforcement officers, and emergency medical technicians). To qualify, you must be an active-duty member of the U.S. armed forces or an honorably discharged veteran of the U.S. armed forces (and provide us with a copy of your certificate or a form DD-214) or a First Responder (and provide us with proof of your status that is reasonably acceptable to us). (For a franchisee that is an entity, a person who owns 51% or more of the entity must be the qualified veteran or active-duty service member.) If the qualified veteran, active-duty service member, or First Responder transfers her or his interest in the franchise in the first two years, then the amount of the discount will have to be repaid upon the transfer.

Development Fee

If you sign the Development Agreement, you must pay us a development fee in an amount equal to the total of \$35,000 for the first Restaurant that you will develop plus \$17,500 for each additional Restaurant that you agree to open according to the Development Schedule. The amount of the development fee will vary based on the number of Restaurants you choose to develop under the Development Agreement. The development fee must be paid in lump sum and is non-refundable. The minimum number of units to be developed under a Development Agreement is two; there is no maximum.

In our last fiscal year ended December 31, 2022, the initial franchise fees we collected for Balance Grille Restaurants ranged from \$35,000 (our then-current initial franchise fee) to \$70,000.

If you are in compliance with your obligations under the Development Agreement, then when you enter into the Franchise Agreement with us for the first Restaurant, we will credit to you the sum of \$35,000 as full payment of the initial franchise fee due under the Franchise Agreement for that Restaurant. If you continue to be in compliance with your obligations under this Agreement, then

at the time you enter into the Franchise Agreement for each additional Restaurant that you develop according to the Development Schedule, we will credit to you the sum of \$17,500, which we will apply to the initial franchise fee payable under each Franchise Agreement for that Restaurant (the credits that we apply will not exceed the total development fee that you have actually paid to us).

Initial Inventory

Before you open for business, you must purchase certain initial inventory from us or our affiliates. This initial inventory will include certain soft goods and marketing collateral, such as stickers, promotional items, and other branded items. We estimate that the cost of the initial inventory that you must buy from us will be approximately \$2,000 to \$3,000.

Technology Purchases

Before you open your business, you must purchase certain technology hardware and equipment, including point-of-sale terminals, kiosks, and kitchen display systems (the “**Initial Technology Package**”). The entire Initial Technology Package may be purchased from third party vendors; however, you may wish to buy certain components directly from us (but you are not required to do so). Any components that you buy directly from us will be pre-configured for use in your Restaurant.

If you elect to purchase components of the Initial Technology Package from us, we estimate that the fees you pay to us (or our affiliates) will range from \$15,000 to \$20,000. These fees cover the cost of the Initial Technology Package equipment and hardware (which we collect on a pass through basis to third party suppliers) and our costs to pre-configure the components of the Initial Technology Package. Total collected in 2022 was \$14,609.16 and billed as a pass-through cost. No Fee was charged for configuration for this particular order.

Item 6

Other Fees

Type of Fee	Amount	Due Date	Remarks
Royalty (Note 1)	6% of Net Sales (Note 2)	Payable weekly (Note 3)	
Total Marketing Contribution (Note 1)	3% of Net Sales	Same as royalties.	We currently allocate 2% to the National Marketing Fund and 1% for you to spend on local marketing and promotion. We may change this allocation upon notice.
Supplier/Vendor or Supplies Approval (Note 4)	Cost of inspection of supplier’s facilities and/or test of supplier’s samples, plus our reasonable related costs and expenses	Upon demand	Only due if you propose a new supplier or vendors that we have not previously approved

Type of Fee	Amount	Due Date	Remarks
Product and Equipment Purchases	Will vary	Upon delivery or as agreed	We charge you for products and equipment you purchase from or through us.
Inspection or Audit (Note 5)	Cost of inspection or audit plus our reasonable related costs and expenses	Upon demand	Only due if inspection or audit discloses that information provided to us was materially inaccurate or misleading
Interest	Interest is 1.5% per month on missed, overdue, or insufficient payments.	Upon demand.	Only due if you do not make proper payment on time. Interest begins to accrue when payment was initially due. If a maximum interest rate applies under your state's law, then interest will not exceed that maximum rate.
Renewal Fee	\$10,000	Due upon execution of Renewal Agreement	Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee.
Transfer Fee	\$15,000 if the transferee is not an existing "Balance Pan-Asian Grille" franchisee; or \$5,000 if the transferee is an existing "Balance Pan-Asian Grille" franchisee You must also pay us any applicable broker fees	At the time of transfer	Only due if you propose a transfer. For a transfer upon disability or death of the franchisee's principal, we will not charge a transfer fee (but ask instead to be reimbursed for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting the transaction).
Securities Offering Fee	\$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).
Relocation Fee	\$2,500 plus our reasonable costs and expenses	At the time of relocation	Only due if you propose to relocate your franchise.

Type of Fee	Amount	Due Date	Remarks
Additional Training	\$1,000 per person	Upon demand	Only due if you ask to send more than the required number of people to be trained or if someone that we trained leaves your employ, in which case you must enroll her/his replacement in our training program. If so, we may require you to pay this discounted per person training fee.
Cost of Enforcement or Defense (Note 6)	Will vary under circumstances	Upon demand	See Note 6
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required business insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification	All costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is invoked. You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Restaurant, including related securities offerings.
Technology Fee (Note 1)	Currently, a base fee of \$350 a month plus \$10 for each 15 minute interval of Additional Technology Support utilized in a calendar month.	Payable in the same manner and time as Royalty	<p>The Technology Fee covers: certain pass-through costs due to our required technology vendors; costs related to the provision of our "Tier One" technology support service; and costs related to additional technology support we provide.</p> <p>The base fee of \$350 currently includes the first ten hours of technology support that we provide to you in a</p>

Type of Fee	Amount	Due Date	Remarks
			<p>given calendar month. Any technology support we provide you beyond these first ten hours in a given calendar month is considered "Additional Technology Support" for purposes of the Technology Fee.</p> <p>We may modify the Technology Fee (including the amount of the fee and the manner in which it is calculated) upon notice to you.</p>
Additional Tech Vendor Fees	Variable	As incurred.	Fees by tech vendors that provide products and/or services to you beyond those covered by the Technology Fee must be paid directly to those vendors in the ordinary course of business.

Notes to Item 6 table:

- 1 **Fees.** The fees listed in the Item 6 tables are payable only to us or our affiliates (except for the Additional Tech Vendor Fees, which may be paid to a vendor). All fees due to us or our affiliates (such as royalty fees, advertising contributions, amounts due for your purchases from us or our affiliates, and other amounts due under the Franchise Agreement) must be paid through electronic funds transfer (using the ACH network). We may debit your account to collect these amounts. You must keep a sufficient balance in the account from which the ACH deductions are made to pay all the fees due under the Franchise Agreement. We have the right to change payment method requirements. All fees payable to us or our affiliates are uniformly imposed, although we may waive collection of some or all of these fees in certain circumstances. None of the fees payable to us or our affiliates are refundable.

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

- 2 **Net Sales.** As used in the Franchise Agreement, "**Net Sales**" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), whether for cash or credit, and regardless of theft, or of collection in the case of

credit. Revenue from barter and/or business interruption insurance are included in Net Sales (and therefore subject to the Royalty Fee calculation above). Net Sales excludes sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.

- 3 **Accounting Periods.** Payments and sales reports are due weekly, with each week starting as soon as you open for business each Monday and ending at the close of business on Sunday (which may be on Monday after midnight when the business day started earlier on Sunday comes to a close) (except as indicated in the Manual). Payments are due in our account by Tuesday of each Week (although we may initiate ACH debits earlier so that the funds reach our account on time).

Certain reports (for example, P&L's) will be due on a Period-by-Period basis. For this purpose, "**Period**" means a regular calendar month (but we reserve the right to switch to a four or five-week "retail calendar" for the purpose of organizing books and records, typically, with 13 Periods in a calendar year).

- 4 **Supplier/Vendor, Supplies Approval.** If you wish to sell or use any product that we have not already approved, or buy products from a vendor that we have not already approved, you must follow the procedure under the Franchise Agreement. Among other things, that includes submitting samples of the proposed item as well as other information, for inspection and testing. You or the proposed vendor will pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.
- 5 **Inspection or Audit.** If we conduct an inspection or audit of your records and find that any payments due to us have been understated or underpaid, then you must immediately pay us, upon demand, the understated or underpaid amount plus interest from the date any amount was due until paid. If an inspection or audit shows that the information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was materially inaccurate or misleading because you did not maintain and preserve the required records), then you also must reimburse our costs and expenses, including accounting and attorneys' fees connected with the inspection or audit. An understatement of Net Sales or underpayment of 2% or more in any report is deemed to be materially inaccurate and misleading.
- 6 **Cost of Enforcement or Defense.** If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement or a related agreement (including non-compete agreements) in a judicial or arbitration proceeding, we will be entitled to reimbursement of our costs, including reasonable accounting and attorneys' fees, resulting from this proceeding. You also will be responsible for our costs of enforcement if your personnel do not comply with their confidentiality or non-competition obligations. This fee will only become due if: (i) you are in default under the Franchise Agreement, in which case you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement; (ii) if we successfully defend claims from you regarding the Franchise Agreement; or (iii) if we incur costs in your defense except where a court with competent jurisdiction determines the claim or expense was caused solely by our gross negligence or willful misconduct.

Item 7

Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	When you sign the Franchise Agreement	Us
Lease (Note 2)	\$29,167	\$55,000	As incurred	Before opening, as incurred	Landlord
Utility Deposit (Note 3)	\$0	\$4,500	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	\$9,500	\$15,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	\$330,000	\$600,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	\$18,000	\$33,900	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	\$1,500	\$5,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	\$7,000	\$14,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 8)	\$15,000	\$30,000	As incurred	Before opening, as incurred	Approved Suppliers
Computer Hardware & Software (Note 9)	\$16,675	\$37,130	As incurred	Before opening, as incurred	Us, Approved Suppliers

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE RESTAURANT UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Furniture, Fixtures, & Eqpt (Note 10)	\$199,000	\$284,200	As incurred	Before opening, as incurred	Approved Suppliers
Signage (Note 10)	\$16,350	\$32,350	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing Program (Note 11)	\$25,000	\$25,000	As incurred	Before and during opening	Various
Professional Fees (Note 12)	\$6,000	\$10,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	\$25,000	\$50,000	As incurred	After opening	Various
Total	\$733,192	\$1,231,080			

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR 2 RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Development Fee (Note 1)	\$52,500	\$52,500	Lump Sum	When you sign the Franchise Agmt	Us
Additional Initial Franchise Fees due (when Franchise Agmt)	\$17,500	\$17,500	Lump Sum	\$0 when you sign 1st Fran. Agmt; \$17,500 when you	Us

**Table B:
YOUR ESTIMATED INITIAL INVESTMENT
(FOR 2 RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
is signed) (Note 1)				sign 2nd Fran. Agmt	
Lease (Note 2)	\$58,333	\$110,000	As incurred	Before opening, as incurred	Landlord
Utility Deposit (Note 3)	\$0	\$9,000	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	\$19,000	\$30,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	\$660,000	\$1,200,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	\$36,000	\$67,800	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	\$3,000	\$10,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	\$14,000	\$28,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 8)	\$30,000	\$60,000	As incurred	Before opening, as incurred	Approved Suppliers
Computer Hardware & Software (Note 9)	\$33,350	\$74,260	As incurred	Before opening, as incurred	Us, Approved Suppliers
Furniture, Fixtures, & Eqpt (Note 10)	\$430,900	\$568,400	As incurred	Before opening, as incurred	Approved Suppliers
Signage (Note 10)	\$32,700	\$64,700	As incurred	Before opening, as incurred	Approved Suppliers

Table B: YOUR ESTIMATED INITIAL INVESTMENT (FOR 2 RESTAURANTS UNDER A DEVELOPMENT AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Grand Opening Marketing Program (Note 11)	\$50,000	\$50,000	As incurred	Before and during opening	Various
Professional Fees (Note 12)	\$12,000	\$20,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	\$50,000	\$100,000	As incurred	After opening	Various
Totals	\$1,499,284	\$2,462,160			

Notes to Tables:

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

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

Table B provides the estimates applicable if you were to sign a Development Agreement to open three Restaurants (you must develop at least two Restaurants under a Development Agreement; this table provides the estimate if you choose to develop two). Except for the payment of the development fee and discounted initial franchise fees, the figures in Table B are simply two-times the figures in Table A.

- Initial Franchise Fee.** The franchise fee is \$35,000, as described in Item 5, and is used to defray our costs for providing training, promotional assistance and materials, site selection guidance, and other services.

Discounts to the initial franchise fee for Veterans, Active Duty Personnel, and First Responders may reduce the initial franchise fee to \$28,000.

If you sign a Development Agreement, then you will pay the development fee due under that agreement (as described in Item 5). If you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements, then we will apply a portion of the development fee as a credit toward the initial franchise fees (Table B shows that we would credit \$35,000 toward the initial franchise fee due under the first Franchise Agreement and \$17,500 toward the initial franchise fee due under the second

Franchise Agreement, and \$17,500 toward the initial franchise fee due under third Franchise Agreement).

- 2 **Lease.** You must lease, sublease, or purchase a space at which to operate your Restaurant. The estimate is for lease payments covering five months' rent (rent for the first three months of operation, one month's rent before you open, and one month's security deposit). The estimate assumes a Restaurant that is 2,000 square feet to 2,400 square feet in size, with rent at \$35 to \$55 per square foot per year, and no obligation to pay rent during the build-out period (before you open for business).

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

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

- 3 **Utility Deposit.** You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities. This estimate excludes utility tap fees which are typically covered by the landlord.

- 4 **Architect's Fees and Construction Costs.** The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including awning, general construction, permits, architectural fees and legal fees. The location, age and size of the Restaurant and the extent of landlord participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne by the landlord through a tenant improvement allowance for leasehold improvements. The range of figures in the table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a restaurant operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is based space in the range of 2,000 to 2,400 square feet at a build-out cost of approximately \$165 (for a second generation space whereby you are able to take advantage of existing conditions) to \$250 per square foot. If you incur higher build-out costs, then your total expenditure will be higher as well.

- 5 **Initial Training Expenses.** You are responsible for arranging and paying the expenses for any persons attending the training program, including transportation, lodging, meals, and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 1 operations lead for approximately 21 days and 3 specialists for approximately 21-28 days (the Core Personnel, as defined in Item 11 below) in accordance with the training schedule in Item 11. The estimate assumes a per diem cost and travel allowance of \$200 to \$300 per person, per night, plus travel costs of \$300 to \$600 per person which will vary by city of origin.

- 6 **Business Licenses and Permits.** This estimate includes costs relating to business license requirements, health, and safety regulations (including occupancy), employment regulations, food handling regulations, music, and entertainment (including license fees to copyright and other intellectual property owners and vending and gaming licenses). You should not consider this list as comprehensive. The laws in your state, county or municipality may be more stringent. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.
- 7 **Business Insurance.** The estimate is to pay for 12 months' insurance coverage under the required minimums under your Franchise Agreement, both before and after you open your Restaurant. The cost of insurance will vary based on the type of policies procured, nature and value of physical assets, gross revenues, number of employees, square footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure. There is a more detailed description of the required insurance found in Item 8 of this disclosure document.
- 8 **Initial Inventory.** These amounts represent your initial inventory of \$15,000 to \$30,000. As described in Item 5, you must purchase a portion of your initial inventory from us in the range of \$2,000 to \$3,000.
- 9 **Computer Hardware and Software.** The estimated initial investment includes costs related to the mandatory purchase of POS System hardware and software as well as security cameras, menu boards, a music player and phones for the Franchised Business. We reserve the right to implement as a part of our standards and specifications contained in the Franchise Brand Standards Manuals the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time. Our current POS System is Revel. Among other things, you will be required to meet our requirements concerning: a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Balance Grille Restaurants, between or among Balance Grille Restaurants, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS) and digital menu board systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) menu boards and related technology, hardware, software, and firmware; (i) front-of-the-house WiFi and other connectivity service for customers; and (j) in Restaurant music systems.
- 10 **Furniture, Fixtures, Equipment, and Signage.** You must furnish your Franchised Business in accordance with our standards. This will include certain required equipment, furniture, and fixtures. These costs will vary depending on the size and condition of the Franchise Restaurant. Your required equipment will include the necessary food preparation equipment systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the Restaurant. Signage must be obtained from our approved or your pre-approved supplier and conform to our standards, including

standards related to the use of our trademarks as set forth in the Franchise Brand Standards Manual.

- 11 **Grand Opening Marketing Program.** You will be required to spend the amount specified in your Franchise Agreement on for grand opening marketing and promotional programs in conjunction with the initial launch of your Restaurant, an amount which we estimate will be \$25,000. These programs include marketing spanning from 60 days before opening to no later than 90 days post-opening, and may include food and beverage giveaways, and related direct labor.
- 12 **Professional Fees.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.
- 13 **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own business experience and information and that of our affiliates. The estimate cannot and does not account for future inflation. We also have no way to estimate the effect of externalities such as cost fluctuation due to global supply chain issues, which may impact all businesses, including construction and build-out costs.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

You will need to have staff on-hand before opening to prepare the Restaurant for opening, training, orientation, and related purposes. We estimate that you will need approximately 200 hours of staff time to get ready for your opening. Your staffing costs will depend on the prevailing wage rates in your area.

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

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

Item 8 **Restrictions on Sources of Products and Services****Required Purchases of Goods and Services**

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

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

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

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

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

We estimate that the cost of your purchases and leases from sources that we designate or approve, as well as purchases in accordance with our standards and specifications, will be approximately 85-90% of the total cost of establishing a Franchised Business and approximately 85-90% of the cost of continued operation of the franchise.

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

Approval of Alternative Suppliers

If you want to buy any supplies, or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. We will provide our decision within sixty days after we have received

your proposal. When considering whether to approve any proposed supplier, we typically will consider (among others) the following factors:

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

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

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

Our affiliate, Balance Campus, is currently the only designated supplier for certain items that you must buy for the operation of your Franchised Business. None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon franchisee purchases of Products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of Products, equipment, and other items. We may either retain the credit of any volume discounts, rebates or incentives received because of your purchases or contribute all or a portion of them to the National Marketing Fund, should such a fund be established.

Neither we nor our affiliates derived any revenue from the sale of products to our franchisees and licensees during 2022.

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

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

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

Insurance

You are required to obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages (these requirements are specified in greater detail in Section 15 of the Franchise Agreement), including:

- Comprehensive General Liability for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 aggregate and no exclusion for third party delivery services;
- Automobile liability for all owned, non-owned and rented vehicles used in the franchised operations for a limit of \$1,000,000 Combined Single Limit Liability (not included with the General Liability) and no exclusion for delivery;
- Workers' Compensation and Employer's Liability statutory for the state of where your franchised restaurant is located and Employer's Liability of \$1,000,000 by accident, \$1,000,000 by disease policy limit and \$1,000,000 by disease each accident (Stop Gap Coverage);
- Umbrella Liability of \$1,000,000 in excess of Auto liability, Comprehensive General Liability & Employer's Liability policies;
- Property Insurance for 100% of the replacement cost of all furniture, fixtures, equipment, inventory, building (if applicable) and tenant buildout in your franchised restaurant on special form coverage basis. This policy will also include Business Income and Extra Expense coverage for Actual Loss Sustained for 12 months or at least 50% of annual sales, if not available, and an Extended Period of Indemnity for not less than 180 days
- Employment Practices Liability of at least \$1,000,000 aggregate including third party coverage for harassment and discrimination of non-employees and Wage & Hour Defense cost of \$100,000 and naming us as Co-defendant;
- Cyber Liability of \$1,000,000 for all first and third party data breaches including but not limited to; identity thefts, phishing attacks, social engineering, ransomware, and data response/crisis management expenses;

- Trade Name Restoration coverage of \$500,000 per location to pay for your lost profit from an actual or alleged contamination event anywhere in the brand; and
- any other insurance coverage that is required by federal, state, or municipal law.

Each insurance policy required under the Franchise Agreement must be primary and noncontributory, and must be issued by an issuer we approve, who must have a rating of at least “A-VII” in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located.

All liability and property damage policies must name us as additional insureds (and provide Additional Insured – Grantor of Franchise) and 30 days’ advance written notice in the event of cancellation or non-renewal. A waiver of subrogation must also be provided for the general liability, auto liability, and workers’ compensation policies. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

We do not currently require you to use a specific approved insurance broker or program; however, we have the right to do so in the future.

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 item of this disclosure document.

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	8	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 15	Not applicable	11
c.	Site development and other pre-opening requirements	3.2, 5.2, 5.4, and 5.7	1, 2, and 8	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	Not applicable	11
e.	Opening	3.3, 3.7, 5.1, 5.4, 5.7 and 8.2	8	5, 6, 7, 11
f.	Fees	2.2.6, 4 and 17.5.9	4	5, 6
g.	Compliance with standards and policies/operating manual	1.5, 3.4, 5, 7, 8.1, and 10	Not applicable	8, 11, 15

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
h.	Trademarks and proprietary information	1.1 and 9	7	13, 14
i.	Restrictions on products/services offered	1.5 and 7	Not applicable	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2 and Exhibit A	12
l.	Ongoing product/service purchases	7	Not applicable	8
m.	Maintenance, appearance, and remodeling requirements	5 and 8.8	Not applicable	11
n.	Insurance	16	9.1	7, 8, 11
o.	Advertising	3.5, 3.6 and 13	Not applicable	6, 11
p.	Indemnification	22 and Ex. C	9.7 and 13	14
q.	Owner's participation/management/staffing	8.7	Not applicable	11, 15
r.	Records and reports	4.2, 12 and 16.7	Not applicable	6, 11
s.	Inspections and audits	3.7, 8.11 and 12	Not applicable	6, 11
t.	Transfer	8.10, 17 and 20.5	9.2 and 10	17
u.	Renewal	2.2	Not applicable	17
v.	Post-termination obligations	11.1.1, 12.1.2, 19, 20.3 and 20.5	9.3, 9.4, and 11	17
w.	Non-competition covenants	20	9.5	17
x.	Dispute resolution	28	9.13	17
y.	Taxes/permits	5.4, 8.8 and 21	9.6	Not applicable
z.	Other: Personal Guarantee	Ex. B	Ex. B	Not applicable

Item 10**Financing**

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

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

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

Pre-Opening Assistance:

Before you open your Franchised Business, we will:

1. Provide services in connection with your site, including:
 - Site selection guidelines, counseling, and assistance as we deem advisable (Franchise Agreement, Section 1.2);
 - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (Franchise Agreement, Section 1.2);
 - Written notice of approval or disapproval of the proposed site within 30 days of receiving your site selection package submission (Franchise Agreement, Section 1.2); and
 - Review of lease, sublease, design plans, and renovation plans for the Restaurant (Franchise Agreement, Section 3.3);
2. Make available our standard layout, design, and image specifications for a Restaurant, including:
 - Plans for exterior and interior design and layout (Franchise Agreement, Section 3.3); and
 - Written specifications for fixtures, furnishings, equipment, and signage (Franchise Agreement, Section 3.3), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);
3. Provide you with a copy of the Franchise Brand Standards Manual (as more fully described below in this Item 11 of this FDD) (Franchise Agreement, Section 3.5);
4. Provide you with training (as more fully described below in this Item 11 of this FDD) (Franchise Agreement, Section 3.1);
5. Assist you in developing your Grand Opening Marketing Program (Franchise Agreement, Section 3.6);
6. Inspect and evaluate your Restaurant before it first opens for business (Franchise Agreement, Section 3.8); and
7. Provide a representative to be present at the opening of the Restaurant (Franchise Agreement, Section 3.4).

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

Continuing Assistance:

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

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

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

Typical Length of Time Before Start of Operations:

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

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

Advertising:

For each Period, you must contribute or spend an amount equal to 2% of the Net Sales of the Franchised Business for marketing (the “**Total Marketing Contribution**”).

We have the right to allocate your Total Marketing Contribution among: (a) the National Marketing Fund (if we create one); (b) local advertising, which may consist of: (i) your own local marketing and promotion expenditure; and (ii) contributions to a Regional Fund (if there is one for your area). Currently, we allocate the Total Marketing Contribution as follows:

2% of Net Sales	To be contributed to the National Marketing Fund; and
1% of Net Sales	For you to spend on local marketing and promotion.

We have the right to periodically change the allocation of the Total Marketing Contribution. If we make a change, we will give you notice of that change, which will take effect as of the next Period.

The National Marketing Fund. If we establish a National Marketing Fund, the following provisions (and others in the Franchise Agreement) apply:

- (1) We have sole decision-making authority and direction over all marketing programs, and any concepts, materials, and media used in such programs.
- (2) The National Marketing Fund, all contributions to that fund, and the fund's earnings, will only be used to meet the costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System.
- (3) The National Marketing Fund is not and will not be our asset. We will prepare and distribute to you, after the end of each fiscal year, an annual statement of the operations of the National Marketing Fund as shown on our books. At such time, we will also seek feedback from you regarding the operations of the National Marketing Fund in the most recent fiscal (the "**Annual Review**"). The goal of the Annual Review is for you and us to collaborate to ensure the National Marketing Fund is maximizing, general public recognition, acceptance, and use of the System. We will not prepare an audit of the National Marketing Fund for any period prior to fiscal year 2023. Starting in fiscal year 2023, we intend to audit the National Marketing Fund.
- (4) Although the National Marketing Fund is intended to be of perpetual duration, we will have the right to terminate the National Marketing Fund. The National Marketing Fund will not be terminated, however, until all monies in the National Marketing Fund have been expended for marketing purposes.
- (5) The National Marketing Fund will not be used for marketing that is principally a solicitation for the sale of franchises.
- (6) As to the National Marketing Fund: (a) we will not be required to spend any particular amount on marketing in the area where your Restaurant is located; and (c) if there are unspent amounts in the National Marketing Fund at fiscal year-end, those amounts are carried over by the National Marketing Fund for expenditure in the following year. We do not currently have an advertising council composed of franchisees that advises us on advertising policies.
- (7) As of the issuance date of this disclosure document, company- or affiliate-owned Restaurants contribute a minimum 1% of Net Sales to the National Advertising Fund, or the equivalent of aggregate franchisee contribution to the National Advertising Fund, with a cap of 2% of Net Sales.

Local Marketing. Your local marketing will have two possible components. The first and primary component will be your own local store marketing (as described below). The second component will arise only in areas where there is a concentration of franchises in the same marketing area, where we may create a regional fund (as also described below).

- 1) *Local Store Marketing.* You may be required to spend a certain amount on local marketing and promotion on a continuous basis throughout the term of your Franchise Agreement. Currently, this requirement is set at a minimum of 1% of your Net Sales.

- A. Local marketing and promotion include only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.
 - B. We will apply certain criteria in reviewing and evaluating the local marketing that you conduct. Your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 days, we will have been deemed to disapprove the plans or materials. All copyrights in and to advertising, marketing materials, and promotional plans developed by you or on your behalf will be our sole property.
 - C. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
 - D. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.
- 2) *Regional Fund.* If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. We do not currently have any Regional Funds. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:
- A. If a Regional Fund for the area in which your Franchised Business operates was already established when you start operating under the Franchise Agreement, then you will have to join that Regional Fund.
 - B. If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you would have to join that Regional Fund within 30 days after that Regional Fund is established. You will not be required to join more than one Regional Fund.
 - C. Each Regional Fund will be organized and governed in a form and manner, and start operations on a date, that we have approved, in writing. Voting will be on the basis of one vote per full-service Restaurant (regardless of number of owners or whether the Restaurant is franchised or owned by us or our affiliates).
 - D. Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing.

Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.

- E. Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to close any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund are spent for marketing purposes.

In our last fiscal year ended December 31, 2022, our Marketing Contribution fund made expenditures in the following categories:

Social Media	22.23%
Website	32.9%
Video & Asset Development	44.85%

Grand Opening Marketing Program. You must spend at least \$25,000 for grand opening marketing and promotional programs in conjunction with the Restaurant’s initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the “**Grand Opening Marketing Program**”). The Grand Opening Marketing Program must begin sixty days before the scheduled opening date for your Franchised Business and must be completed no later than sixty days after the Franchised Business starts to operate. Like all other marketing, your Grand Opening Marketing Program will be subject to our prior approval, marketing standards, and requirements.

Computer Requirements:

We may require our franchisees to purchase a Computer System. You must meet our requirements concerning the Computer System, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; (b) POS systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (such as digital menu boards); (e) archival back-up systems; (f) internet access mode (such as the telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) front-of-the-house WiFi and other internet service for customers; (i) in-Restaurant music systems; (j) age verification technology; (k) and supply-chain management software and hardware programs (collectively, all of the above are referred to as the “**Computer System**”).

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

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

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

We estimate that the cost of purchasing the Computer System and Required Software will typically range from \$16,675 to \$37,130.

The estimated annual cost of Computer System maintenance, support, and upgrades is \$2,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software. You will not be able to implement, use, or otherwise engage with AI Sources unless we have given our prior written consent. “**AI Source**” means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.

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

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

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

Digital Sites. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), the metaverse, and other applications, etc. However, if we approve a separate Digital Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us, for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Digital Site without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand

Standards Manuals or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

Data. All the data that you collect, create, provide, or otherwise develop is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. Under the Franchise Agreement, “data” excludes consumers’ credit card and/or other payment information. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of this Agreement, or any transfer. We are not limited in terms of our right to download data from your Computer System.

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

Prices

We may provide periodic guidance and assistance to you in establishing prices. We will not set the prices for the products and services offered at your Restaurant, although we will have the right to set reasonable restrictions on the maximum and minimum prices you may charge for the products and services offered and sold at your Restaurant (subject to applicable law).

Franchise Brand Standards Manual:

We will loan you, or provide you with electronic access to, a copy of our Franchise Brand Standards Manual (in such format as we deem appropriate) for your use during the term of the Franchise Agreement. The Franchise Brand Standards Manual contains our standards and specifications for you to follow in the operation of your Restaurant. The Franchise Brand Standards Manual will always remain our sole property and you must treat the Franchise Brand Standards Manual as confidential. You must promptly return any and all copies of the Franchise Brand Standards Manual to us following termination or expiration of the Franchise Agreement. (Franchise Agreement Section 10).

We reserve the right to periodically update and modify the contents and format of the Franchise Brand Standards Manuals (which currently consists of 210 pages). The Table of Contents of the current Franchise Brand Standards Manuals is found as Exhibit F to this FDD.

Training:**Phase 1 of Operational Initial Management Training**

Subject	# Hours Of Virtual Training	# Hours Of In-Store Training	Location
TRAINING PRE-WORK To be completed prior to arrival at HQ Food Handler + Manager Training/Certification	15.5	0	Virtual
TRAINING PRE-WORK To be completed prior to arrival at HQ Brand Advocate Training: Pre-Work; Brand Overview, 7 Shifts, Diversity/Culture, Food Menu Mastery	8	0	Virtual
Week 1 Franchise 101 Training: Front of House, Back of House and Tea Specialist Training / hiring and onboarding, scheduling, inventory etc., in store-mastery	0	40	HQ (Toledo, Ohio)
Week 2 Franchise 101 Training: Front of House, Back of House and Tea Specialist Training / hiring and onboarding, scheduling, marketing, financials, inventory etc., in store-mastery	0	40	HQ (Toledo, Ohio)
Week 3 Franchise 101 Training: Front of House, Back of House and Tea Specialist Training / hiring and onboarding, scheduling, marketing, financials, inventory etc.	0	40	Virtual and our HQ (Toledo, Ohio)
TOTAL	44	120	

Phase 1 of Back of House (BOH) Initial Management Training

Subject	# Hours Of Virtual Training	# Hours Of In-Store Training	Location
TRAINING PRE-WORK To be completed prior to arrival at HQ Food Handler + Manager Training/Certification	15.5	0	Virtual
TRAINING PRE-WORK To be completed prior to arrival at HQ Brand Advocate Training: Pre-Work; Brand Overview, 7 Shifts, Diversity/Culture, Food Menu Mastery, BOH coursework	32.5	0	Virtual
WEEK 1 Samurai, Ninja and Expo Position Training: complete all in store BA and Elite mastery. Learn recipes, prep hot foods, daily + weekly kitchen cleaning, elite management training (team building), food ordering	0	40	HQ (Toledo, Ohio)
WEEK 2 BOH Specialist Training: Display in store mastery, operations training, communication, shift management, demonstrate training a BA	0	40	HQ (Toledo, Ohio)
WEEK 3 BOH Specialist Training: demonstrate training an Elite	0	40	HQ (Toledo, Ohio)
TOTAL	48	120	

Phase 1 of Front of House (FOH) Initial Management Training

Subject	# Hours Of Virtual Training	# Hours Of In-Store Training	Location
TRAINING PRE-WORK To be completed prior to arrival at HQ Food Handler + Manager Training/Certification	15.5	0	Virtual
TRAINING PRE-WORK To be completed prior to arrival at HQ Brand Advocate Training: Pre-Work; Brand Overview, 7 Shifts, Diversity/Culture, Food Menu Mastery, FOH coursework	32	0	Virtual
WEEK 1 Dragon Position Training: complete all in store BA and Elite mastery. Customer service and phone excellence, cash handling, upsell techniques, opening/closing procedures, advanced POS, tech support, elite management training (team building)	0	40	HQ (Toledo, Ohio)
WEEK 2 FOH Specialist Training: Continue in store mastery, Operations training, communication, shift management and demonstrate training a BA	0	40	HQ (Toledo, Ohio)
WEEK 3 FOH Specialist Training: demonstrate training an Elite	0	40	HQ (Toledo, Ohio)
TOTAL	47.5	120	

Phase 1 of Teabar Initial Management Training

Subject	# Hours Of Virtual Training	# Hours Of In-Store Training	Location
TRAINING PRE-WORK To be completed prior to arrival at HQ Food Handler + Manager Training/Certification	15.5	0	Virtual
TRAINING PRE-WORK To be completed prior to arrival at HQ Brand Advocate Training: Pre-Work; Brand Overview, 7 Shifts, Diversity/Culture, Food Menu Mastery, Bubblista coursework	32	0	Virtual
WEEK 1 Bubblista BA Position Training: complete all in store BA and Elite mastery. Production basics, prep, deep clean, opening/closing procedures, elite management training (team building)	0	40	HQ (Toledo, Ohio)
WEEK 2 Bubblista Specialist Training: Continue in store mastery, Operations training, communication, shift management and demonstrate training a BA	0	40	HQ (Toledo, Ohio)
WEEK 3 Bubblista Specialist Training: demonstrate training an Elite	0	40	HQ (Toledo, Ohio)
TOTAL	47.5	120	

Phase 2 of Initial Management Training

Subject	# Hours Of Virtual Training	# Hours Of In-Store Training	Location
WEEK 1 Onsite Training at New Store Location including on-the-job verification of training and store setup: assist in training, certifying Elites and soft opening efforts	0	40	Franchisee's Location
WEEK 2 Onsite Training at New Store Location including on-the-job verification of training and store setup: assist in training, certifying Elites and grand opening efforts	0	40	Franchisee's Location
WEEK 3 Onsite Training at New Store Location including on-the-job verification of training and store setup: assist in grand opening, assess and finalize operations and store setup.	0	40	Franchisee's Location
TOTAL	0	120	

Phase 1 of the management training will be conducted over a 21-28-day period at a location of our choosing (typically, our headquarters in Toledo). Phase 2 of the management training will be conducted over a 21 day period at a location of our choosing (typically, your Franchised Business). Training is conducted as frequently as we determine it necessary in order to hold a training class. We currently provide "classroom" training virtually via ExpandShare, our learning management system ("**LMS**") portal.

HoChan Jang, who serves as our Chief Operating Officer, is responsible for supervising the initial training program. HoChan has over 13 years of experience with us and more than 20 years' experience with operating businesses such as a Restaurants.

The instructional materials for our training programs include the Franchise Brand Standards Manual, lecture, discussions, practice, and other training materials distributed through our LMS portal.

Under the Franchise Agreement, your Core Personnel must attend and successfully complete, to our satisfaction, our training program. Your "**Core Personnel**" consists of your Market Operations Person and the management personnel who we specify (currently, a front-of-house manager, a back-of-house manager, and a "Bubble Tea" manager). You must complete

training at least 60 days before you open your Restaurant. You may send up to four additional individuals to the initial training program. If you wish to send additional individuals (beyond the Core Personnel) to the initial training program, and we agree to have them join the session, then you must pay us a discounted training fee.

If for any reason any of your Core Personnel stop active management or employment at the Franchised Business, or if we revoke the certification of your Core Personnel to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial management training program within thirty days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete "Phase 1" of the management training program, to our reasonable satisfaction, as soon as it is practical to do so. Under the Franchise Agreement, you must pay us a discounted training fee (currently \$1,000) for each replacement individual to be trained, with payment to be made in full before training starts. However, if any one of your Core Personnel cease active management or employment at the Franchised Business, you may elect to have the departing Core Personnel conduct "Phase 1" of the management training for their replacement (so long as the training is conducted in accordance with our standards and completed to our satisfaction).

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

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

All initial training required under the Franchise Agreement must be completed to our satisfaction before your Restaurant may open for business, which must occur within twelve months of the effective date of the Franchise Agreement.

Multi-Unit Franchisee Training

If you (or your affiliates) already operate a "Balance Pan-Asian Grille" Restaurant, then we may require that you have the Core Personnel for your first Restaurant conduct "Phase 1" of the initial management training, subject to the following:

- Each of the Core Personnel for your first Restaurant must have successfully completed "Phase 1" of the management training program to our satisfaction at least sixty (60) days before conducting the "Phase 1" training of your new Restaurant's personnel (and those individuals must remain acceptable to us to conduct such training).
- You will be responsible to ensure that the Core Personnel that conduct training at your new Restaurant are also able to carry out all of their responsibilities relating to the Restaurant in which they are primarily working.
- You (and your affiliates) must be in substantial compliance under your existing Franchise Agreement and any other agreements between you (and your affiliates) and us (and our affiliates).

If this is your second or third “Balance Pan-Asian Grille” Restaurant that you (and your affiliates) will operate, then we will conduct a modified two-week long “Phase 2” training facilitated by our three-person training team. If you request, or we determine that it is necessary, for us to: (a) send more of our representatives to facilitate the training; or (b) extend the duration of the training; then you agree to pay our additional per diem, costs, and expenses. If this is your fourth or subsequent “Balance Pan-Asian Grille” Restaurant, then we may modify our training requirements (including by reducing the number of members of our training team who will facilitate the training).

Item 12

Territory

Franchise Agreement

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

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

- Establish, and franchise others to establish, Restaurants anywhere outside the Protected Area.
- Establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks, even if those businesses offer or sell products and services that are the same as or similar to those offered from your Franchised Business, no matter where those businesses are located;
- Establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;
- Acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a “Balance Pan-Asian Grille” Restaurant inside the Protected Area); and
- Market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e-commerce), anywhere (but not from a “Balance Pan-Asian Grille” Restaurant operating inside the Protected Area).

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

The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, hospitals, food trucks, airports, and other travel facilities; federal, state, or local

government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

We (and any of our affiliates and designees) have the right to distribute or sell any of our products: in grocery stores and through other retailers, but not from another “Balance Pan-Asian Grille” Restaurant operating in the Protected Area. The Franchise Agreement does not grant you any rights regarding those sales programs, whether they exist now or are developed later.

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

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

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

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written approval. If you ask to relocate the Franchised Business, we will evaluate your request based on the standards that we apply to reviewing the proposed location of a “Balance Pan-Asian Grille” Restaurant for a new franchisee.

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

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

“Bubble Tea” Brand

We have developed a “Bubble Tea Est. 2010” brand (the “**Bubble Tea Brand**”) that is identified by certain trade names (for example, the mark “BUBBLE TEA EST. 2010” and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the “BUBBLE TEA EST. 2010” mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our “**Bubble Tea Marks**”). We may require that you operate a line-extension using the “Bubble Tea Marks” and offering related “Bubble Tea” products within your “Balance Pan-Asian Grille” Franchised Business (a “**Line Extension**”). We

have the right to establish, and license others to establish, businesses that are Line Extensions and/or that operate primarily under the Bubble Tea Brand and Bubble Tea Marks (“**Bubble Tea Businesses**”) at any location outside your Protected Area, and even if those Bubble Tea Businesses: (a) use elements of the System; or (b) also offer or sell products and services that are the same as or similar to those offered from the Franchised Business.

Area Development Agreement

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

If you are a Developer and you comply with your obligations under the Development Agreement, we will not establish or license anyone other than you to establish a Restaurant under the System in your Development Area, until the end of the period specified in the Development Schedule to your Area Development Agreement, except that we will reserve all of the rights described below.

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

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




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

Except for the requirement that you comply with your obligations under the Development Agreement (including for example the development schedule), continuation of your rights under

the Development Agreement, as described above, is not subject to meeting any particular sales volume, market penetration, quota, or other benchmark. We do not have the right to modify your territorial rights. We will approve sites for Restaurants under a Development Agreement using the then-current site criteria we use at the times requested.


Item 13**Trademarks**

Under a Franchise Agreement, you will be licensed to operate the franchised business under the trademark “Balance Pan-Asian Grille”, plus the designs, logos, and other current or future trademarks that we authorize you to use to identify your Restaurant. Our affiliate, Balance Syndicated LLC, owns and has registered the following Proprietary Marks on the principal register of the U.S. Patent and Trademark Office (“**USPTO**”):

Mark	Registration No.	Registration Date
	5730629	April 23, 2019
BALANCE	5730620	April 23, 2019
	4848308	November 3, 2015
	4992895	July 5, 2016

Balance Syndicated intends to file when due affidavits of use and affidavits of incontestability, as well as a renewal application, for the mark listed above.

Balance Syndicated has filed an application to register the mark listed below on the Principal Register of the U.S. Patent and Trademark Office.

Mark	Serial No.	Application Date
	90795514	June 25, 2021

Once registered, Balance Syndicated intends to file when due affidavits of use and affidavits of incontestability, as well as a renewal application, for the marks listed above.

We entered into a license agreement dated December 10, 2021 with Balance Syndicated LLC concerning the Proprietary Marks (the "**License Agreement**"). Under the License Agreement, Balance Syndicated LLC granted us a non-exclusive, royalty-free right to use, and to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising "Balance Pan-Asian Grille" Restaurants. The License Agreement is perpetual, but is terminable by either party for breach. If the License Agreement is terminated, we may not be able to continue to use (and if that happens, you may no longer have the right to use) the Proprietary Marks.

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

There are no infringing uses actually known to us that could materially affect your use of the Proprietary Marks. However, in the Cincinnati Area, a business operated by Balance Cafe & Smoothies LLC has a registration for its mark "Balance Cafe & Smoothies". For two of our marks ("Balance Pan-Asian Grille" and logo (US Reg. No. 5730629) and "Balance" (US Reg. No. 5730620)), we have concurrent use with Balance Café & Smoothies LLC in the Cincinnati Area (which for this purpose means a 35 mile radius from the intersection of Carthage and Ross Avenues in Cincinnati, Ohio).

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks no longer can be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. In such circumstances, you must adopt the new Proprietary Marks at your expense.

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

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you

for your out-of-pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. If that litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

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

Copyrights

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

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

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

Confidential Franchise Brand Standards Manual

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

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

All food and beverage products must be prepared and served only by properly trained personnel in accordance with the Franchise Brand Standards Manual. You may offer and sell items from the Restaurant only to customers at retail unless we otherwise approve.

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

Item 17 **Renewal, Termination, Transfer and Dispute Resolution**

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	2.1	Term expires ten years from the Effective Date of the Franchise Agreement
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for one additional ten-year term by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in “c” below.
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	18	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	18.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	18.1 to 18.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	19 to 20	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, 19.
j.	Assignment of contracts by us	17.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	17.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights and/or obligations under the Franchise Agreement; and/or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	17.4 to 17.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	17.5	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	17.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	13; 19.4 to 19.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
			<p>your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.</p> <p>If a Monetization Event occurs, we will also have the right to purchase your business according to the procedures and calculations specified in the Franchise Agreement. A “Monetization Event” means any one or more of the following: (a) the sale of all or a majority of our business or assets (as part of an extraordinary capital transaction); (b) a public offering of all or any portion of the equity securities of us (or interests in a feeder, successor, or subsidiary entity pursuant to a corporate conversion); (c) a sale or issuance of equity interests or other transaction of us that results in all or a majority of the aggregate economic ownership of us being held by any third-party investor; and/or (d) any derivative or other transaction with similar effect to any of the foregoing as we reasonably determine.</p>
p.	Your death or disability	17.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the franchise term	20.2 to 20.6	Prohibits engaging in “Competitive Business” (meaning any foodservice business as to which the sale of healthy Asian-fusion style menu items (including tacos and buildable bowls) and/or bubble tea based drinks comprise 20% or more of its gross revenues) during the Franchise Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	19.2 to 19.6	Prohibits engaging in Competitive Business within three miles of (a) the Accepted Location for your Restaurant and (b) any other Restaurant. Applies for two years after expiration, termination, or a transfer.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
s.	Modification of the agreement	25.2	Only with mutual agreement and in writing.
t.	Integration/merger clause	25.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations, prior statements, or promises will be binding (and supersede all prior agreements). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction over Toledo, Ohio. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	27.1	Ohio law governs the Franchise Agreement. Your state law may impact this provision.

DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
a.	Length of the franchise term	3	The term of the Development Schedule will be discussed and agreed upon by the parties before entering into the Development Agreement
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by you	Not Applicable	
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	9.3 and 11	<p>Failure to meet the Development Schedule, default or termination under the Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement. Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements.</p> <p>This clause, like many of those in the Development Agreement, incorporate by reference the corresponding clauses in the Franchise Agreement. Please also see § 9 of the Development Agreement.</p>
g.	"Cause" defined – curable defaults	9.3	Please see §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	9.3 and 11	Failure to meet development schedule and/or termination of a Franchise Agreement, and others; please see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	9.4	Please see §§ 18.1–18.11 of the Franchise Agreement.
j.	Assignment of contracts by us	9.2	There are no limits on our right to assign the Development Agreement.
k.	"Transfer" by you – definition	9.2 and 10	Includes transfer of any interest in you or the Development Agreement.

DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
l.	Our approval of transfer by you	9.2 and 10	We have the right to review and approve all proposed transfers.
m.	Conditions for our approval of transfer	9.2 and 10	Your compliance with the agreement, a release, the buyer's signature of a new Development Agreement, the payment of transfer fee, and others; see §§ 16.5.1–16.5.10 of the Franchise Agreement. We may also withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Development Agreement.
n.	Our right of first refusal to acquire your business	9.2	We can match any offer, or the cash equivalent. See Franchise Agreement § 16.6
o.	Our option to purchase your business	9.4	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration. See Franchise Agreement §§ 18.4–18.5.
p.	Your death or disability	9.2	An interest in Development Agreement must be transferred to a third-party we have approved within six months. See Franchise Agreement § 16.7
q.	Non-competition covenants during the franchise term	9.5	Prohibits engaging in “Competitive Business” (meaning any foodservice business as to which the sale of healthy Asian-fusion style menu items (including tacos and buildable bowls) and/or bubble tea based drinks comprise 20% or more of its gross revenues)) during the Development Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	9.5	Includes a two-year prohibition similar to “q” (above), within the Development Area and within five miles of that area, and also within five miles of any other Restaurant then operating under the System.

DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
s.	Modification of the agreement	9.11 and 12	Must be in writing executed by both parties.
t.	Integration/merger clause	9.11 and 12	Only the terms of the Development Agreement are binding. Notwithstanding the foregoing, nothing in the Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	9.13	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Development Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. Please also see § 27 of the Franchise Agreement, which is incorporated by reference into the Development Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	9.13	Any action you bring against us must be brought only within courts with jurisdiction over Toledo, Ohio. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	9.13	Ohio law governs the Franchise Agreement. Your state law may impact this provision.

Item 18**Public Figures**

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

Item 19**Financial Performance Representations**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised 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.

Presented below are historical financial operating results for the four affiliate-owned Restaurants that were open during 2020, 2021, 2022, and January to April of 2023. We did not yet have and could not therefore report on franchised Restaurants for those periods. In each table, the data shows all four of the units and then, separately, the data for the two units in suburban markets (which are the most similar to those that we are currently offering).

Please carefully read all of the information in this Item 19 (including the tables below as well as the notes that follow) for explanation of how these results are determined.

[tables follow]

Table 1: 2020 Results Combined (All 4 Units)						
	Average	%	Median	%	Shops Above	Shops Below
Gross Sales:	\$1,348,103	105%	\$1,350,949	105%	2	2
Less Promotions:	\$65,386	5%	\$66,831	5%	2	2
Net Sales:	\$1,282,717	100%	\$1,284,118	100%	2	2
Cost of Goods Sold:	\$482,748	38%	\$470,126	37%	2	2
Labor:	\$333,642	26%	\$340,351	27%	2	2
Subtotal: Prime Costs:	\$816,390	64%	\$810,477	63%	2	2
Controllables:	\$157,110	12%	\$252,532	20%	2	2
EBITDAR:	\$309,217	24%	\$221,109	17%	2	2
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$76,963	6%	\$77,047	6%		
Marketing:	\$38,482	3%	\$38,524	3%		
Total:	\$115,445	9%	\$115,571	9%		
Adjusted EBITDAR	\$193,772	15%	\$105,538	8%		
Suburban Breakout (Perrysburg and Sylvania) – 2020						
Gross Sales:	\$2,294,143	105%	\$2,294,143	105%	1	1
Less Promotions:	\$112,974	5%	\$112,974	5%	1	1
Net Sales:	\$2,181,169	100%	\$2,181,169	100%	1	1
Cost of Goods Sold:	\$819,131	38%	\$819,131	38%	1	1
Labor:	\$532,133	24%	\$532,133	24%	1	1
Subtotal: Prime Costs:	\$1,351,264	62%	\$1,351,264	62%	1	1
Controllables:	\$226,835	10%	\$226,835	10%	1	1
EBITDAR:	\$603,070	28%	\$603,070	28%	1	1
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$130,870	6%	\$130,870	6%		
Marketing:	\$65,435	3%	\$65,435	3%		
Total:	\$196,305	9%	\$196,305	9%		
Adjusted EBITDAR	\$406,765	19%	\$406,765	19%		

Table 2: 2021 Results Combined (All 4 Units)						
	Average	%	Median	%	Shops Above	Shops Below
Gross Sales:	\$1,478,500	106%	1,551,628	106%	2	2
Less Promotions:	\$83,615	6%	82,692	6%	2	2
Net Sales:	\$1,394,885	100%	1,468,936	100%	2	2
Cost of Goods Sold:	\$549,895	39%	406,679	28%	2	2
Labor:	\$380,485	27%	371,722	25%	2	2
Subtotal: Prime Costs:	\$930,380	67%	\$778,401	53%	2	2
Controllables:	\$152,739	11%	258,006	18%	2	2
EBITDAR:	\$311,766	22%	\$432,529	29%	2	2
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$83,693	6%	88,136	6%		
Marketing:	\$41,847	3%	44,068	3%		
Total:	\$125,540	9%	132,204	9%		
Adjusted EBITDAR	\$186,226	13%	\$300,325	20%		
Suburban Breakout (Perrysburg and Sylvania) – 2021						
Gross Sales:	\$2,545,405	106%	\$2,545,405	106%	1	1
Less Promotions:	\$148,101	6%	\$148,101	6%	1	1
Net Sales:	\$2,397,305	100%	\$2,397,305	100%	1	1
Cost of Goods Sold:	\$927,284	39%	\$927,284	39%	1	1
Labor:	\$624,866	26%	\$624,866	26%	1	1
Subtotal: Prime Costs:	\$1,552,150	65%	\$1,552,150	65%	1	1
Controllables:	\$217,046	9%	\$217,046	9%	1	1
EBITDAR:	\$628,109	26%	\$628,109	26%	1	1
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$143,838	6%	\$143,838	6%	1	1
Marketing:	\$71,919	3%	\$71,919	3%	1	1
Total:	\$215,757	9%	\$215,757	9%	1	1
Adjusted EBITDAR	\$412,352	17%	\$412,352	17%	1	1

Table 3: 2022 Results Combined (All 4 Units)						
	Average	%	Median	%	Shops Above	Shops Below
Gross Sales:	\$1,659,804	106%	1,653,317	105%	2	2
Less Promotions:	\$91,174	6%	82,990	5%	2	2
Net Sales:	\$1,568,630	100%	1,570,328	100%	2	2
Cost of Goods Sold:	\$652,659	42%	652,220	42%	2	2
Labor:	\$450,804	29%	446,158	28%	2	2
Subtotal: Prime Costs:	\$1,103,463	70%	\$1,098,378	70%	2	2
Controllables:	\$194,308	12%	182,551	12%	2	2
EBITDAR:	\$270,860	17%	\$289,399	18%	2	2
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$94,118	6%	94,220	6%		
Marketing:	\$47,059	3%	47,110	3%		
Total:	\$141,177	9%	141,329	9%		
Adjusted EBITDAR	\$129,683	8%	\$148,069	9%		
Suburban Breakout (Perrysburg and Sylvania) – 2022						
Gross Sales:	\$2,725,047	106%	\$2,725,047	106%	1	1
Less Promotions:	\$158,711	6%	\$158,711	6%	1	1
Net Sales:	\$2,566,335	100%	\$2,566,335	100%	1	1
Cost of Goods Sold:	\$1,051,153	41%	\$1,051,153	41%	1	1
Labor:	\$711,887	28%	\$711,887	28%	1	1
Subtotal: Prime Costs:	\$1,763,040	69%	\$1,763,040	69%	1	1
Controllables:	\$280,003	11%	\$280,003	11%	1	1
EBITDAR:	\$523,292	20%	\$523,292	20%	1	1
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$153,980	6%	\$153,980	6%		
Marketing:	\$76,990	3%	\$76,990	3%		
Total:	\$230,970	9%	\$230,970	9%		
Adjusted EBITDAR	\$292,322	11%	\$292,322	11%		

Table 4: 2023 January - April Results Combined (All 4 Units)						
	Average	%	Median	%	Shops Above	Shops Below
Gross Sales:	\$552,268	109%	552,308	108%	2	2
Less Promotions:	\$43,747	9%	40,039	8%	2	2
Net Sales:	\$508,521	100%	512,269	100%	2	2
Cost of Goods Sold:	\$204,396	40%	202,320	39%	2	2
Labor:	\$129,819	26%	129,957	25%	2	2
Subtotal: Prime Costs:	\$334,215	66%	\$332,277	65%	2	2
Controllables:	\$66,643	13%	69,991	14%	2	2
EBITDAR:	\$107,663	21%	\$110,001	21%	2	2
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$30,511	6%	30,736	6%		
Marketing:	\$15,256	3%	15,368	3%		
Total:	\$45,767	9%	46,104	9%		
Adjusted EBITDAR	\$61,896	12%	\$63,897	12%		
Suburban Breakout (Perrysburg and Sylvania) – 2023 January – April						
Gross Sales:	\$899,376	109%	\$899,376	109%	1	1
Less Promotions:	\$76,856	9%	\$76,856	9%	1	1
Net Sales:	\$822,519	100%	\$822,519	100%	1	1
Cost of Goods Sold:	\$335,993	41%	\$335,993	41%	1	1
Labor:	\$208,222	25%	\$208,222	25%	1	1
Subtotal: Prime Costs:	\$544,215	66%	\$544,215	66%	1	1
Controllables:	\$92,018	11%	\$92,018	11%	1	1
EBITDAR:	\$186,286	23%	\$186,286	23%	1	1
Franchise Business - Imputed Costs for a Franchisee						
Royalties	\$49,351	6%	\$49,351	6%		
Marketing:	\$24,676	3%	\$24,676	3%		
Total:	\$74,027	9%	\$74,027	9%		
Adjusted EBITDAR	\$112,259	14%	\$112,259	14%		

Table 5: Sales to Investment All Units 2022	Average		Median	
	Number	% of Gross Sales	Number	% of Gross Sales
Average Sales to Investment for Calendar Year 2022 (All 4 units)				
Gross Sales (from Table 3)	\$1,659,804		\$1,653,317	
Low estimated investment for a Restaurant (from Item 7)	\$733,192	2.26	\$733,192	2.25
High estimated investment for a Restaurant (from Item 7)	\$1,231,080	1.35	\$1,231,080	1.34

Table 6: Sales to Investment Suburban Units 2022	Average		Median	
	Number	% of Gross Sales	Number	% of Gross Sales
Average Sales to Investment for Calendar Year 2022 (2 suburban units)				
Gross Sales (from Table 3)	\$2,725,047		\$2,725,047	
Low estimated investment for a Restaurant (from Item 7)	\$733,192	3.72	\$733,192	3.72
High estimated investment for a Restaurant (from Item 7)	\$1,231,080	2.21	\$1,231,080	2.21

Notes to Tables:

1. The data in the above tables were prepared from our internal operating records. To the best of our knowledge, this information was prepared according to generally accepted accounting principles. The information presented in this Item 19 has not been audited.
2. In Table 1, the highest grossing Restaurant had Gross Sales of \$2,507,938 and the lowest grossing Restaurant had Gross Sales of \$182,576. (The lowest grossing unit was closed from Apr. 6, 2020 to Dec. 31, 2020.)
3. In Table 2, the highest grossing Restaurant had Gross Sales of \$2,637,806 and the lowest grossing Restaurant had Gross Sales of \$112,937. (The lowest grossing unit was closed from Jan. 1, 2021 to Oct. 21, 2021.)
4. In Table 3, the highest grossing Restaurant had Gross Sales of \$2,908,494.61 and the lowest grossing Restaurant had Gross Sales of \$424,086.50.
5. In Table 4, the highest grossing Restaurant had Gross Sales of \$944,351.82 and the lowest grossing Restaurant had Gross Sales of \$160,102.50.

Net Sales figures include all revenue from the sale of goods to retail customers, including the full range of required products. Net Sales is defined in the Franchise Agreement and discussed in Item 6 above.

“Net Sales” generally means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Revenue from barter and/or business interruption insurance are included in Net Sales. Net Sales excludes sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.

Net Sales vary based upon various factors, which may include whether the Restaurant is situated in a year-round or a seasonal location, local economic conditions, competition, the attraction of the locality as a tourist destination, climate, the specific location for the Restaurant, traffic patterns (that may change due to construction or other activities), local taste preferences, the volume of pedestrian traffic, and pedestrian traffic patterns.

“Gross Sales” as used in this Item 19 means the total of Net Sales plus promotions given.

6. Imputed royalties in Tables 1, 2, 3, and 4 are calculated at 6% of Net Sales and Imputed Marketing Fees are calculated at 3% of Net Sales. Occupancy costs are not included in EBITDAR.
7. Labor Cost includes direct wages paid to employees, hourly labor, salary labor, bonus, workman’s comp, health insurance, employee morale, employee meals, product comps, and payroll taxes (but excludes third party payroll services).
8. Prime Costs includes the total of the Cost of Goods Sold and Labor Cost.
9. Controllables include advertising and promotions, bank and credit card fees, cleaning supplies, computer and internet expenses, dues and subscriptions, equipment rentals, insurance expenses, legal expenses, independent contractor expenses, small ware supplies, offices supplies, licenses and permits, repairs and maintenance, utilities, uniforms, and staff training.
10. EBITDAR is earnings before interest, taxes, depreciation, amortization, and rent – so the measure excludes occupancy expenses (such as base and percentage rent, property taxes, and depreciation).
11. The data in these tables provide only a part of the information that you will need to evaluate the franchise opportunity. Please carefully consider not just these figures but also the information that you independently verify and develop about the costs that you are likely to incur. Franchisees will incur business expenses that are likely to be significant, and those expenses will vary considerably from one franchisee to the next. Among the additional categories of expense that you may incur are occupancy costs, franchisee compensation over and above that earned from the operations of the Restaurant business (such as a salary that you may draw); employee benefits (including among others health, vacation, and pension plan contributions); debt service; insurance; Restaurant facilities and property maintenance (and reserves for future maintenance); business and regulatory fees and licenses; ongoing and supplemental training expenses; recruitment expenses; legal and accounting fees; and bookkeeping and other professional services.

12. In addition to the points noted above, your results will be affected by factors such as prevailing economic or market area conditions, demographics, geographic location, interest rates, your capitalization level, the amount and terms of any financing that you secure, the property values and lease rates, your business and management skills, staff strengths and weaknesses, and the cost and effectiveness of your marketing activities.
13. We strongly recommend that you conduct an independent investigation of this information and the opportunity to buy a franchise so that you can decide whether or not you think the franchise will meet your financial needs. Among other things, we recommend that you contact the current and former franchisees listed in this Disclosure Document and that you also consult with a qualified attorney, accountant, and other professional advisors before entering into a Franchise Agreement. We suggest that you develop and review with your own professional advisors a pro forma cash flow statement, balance sheet and statement of operations, and that you make your own financial projections regarding sales, costs, customer base, and business development for your own Restaurant. (We will not review or comment on those materials that you develop, which are entirely for your own analysis.)
14. Written substantiation of the data used in preparing the information in this Item 19 will be made available to you upon reasonable request.
15. **The notes in this Item 19 are not meant to (nor may they be read to) disclaim any of the data that we provide in this Item 19.**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Cameron Cummins at Balance Franchise Group LLC, 215 North Summit St., Toledo, OH 43604 (phone: 419-893-9999, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20**Outlets and Franchisee Information**

Table 1:
System wide Outlet Summary for 2020 to 2022 (Notes 1 and 2)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	1	+1
Company-Owned	2020	5	4	-1
	2021	4	4	0
	2022	4	4	0
Total Outlets	2020	5	4	-1
	2021	4	4	0
	2022	4	5	+1

Notes for tables 1-5 in this Item 20:

- (1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.
- (2) States not listed had no activity.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for 2020 to 2022 (Note 1)

State (Note 2)	Year	Number of Transfers
All states	2020	0
	2021	0
	2022	0

State (Note 2)	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	0

Table 3:
Status of Franchised Outlets For 2020 to 2022 (Note 1)

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Re-newals	Re-ac-quired by Franchi-sor	Ceased Opera-tions Other Reasons	Outlets at End of the Year
Colorado	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

Table 4:
Status of Company-Owned Outlets
for 2020 to 2022 (Notes 1 and 2)

State (Note 3)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Re-acquired From Franchise e	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Ohio	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
Totals	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4

Table 5:
Projected Openings as of December 31, 2022 for 2023

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Texas	1	1	0
Total	1	1	0

The names, addresses, and telephone numbers of our franchisees and developers as of our fiscal year ending December 31, 2022 are listed in Exhibit I.

The name and last known home address and telephone number of every one of our franchisees and developers who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during our last fiscal year or who did not communicate with us within ten weeks of the date of this disclosure document are also listed in Exhibit I.

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

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

Item 21

Financial Statements

Balance Franchise Group LLC was formed in October 2021 and did not engage in any business activities until we began franchising in November 2022. Because we have not been in business for three years, we cannot yet include the required three years' worth of financial statements. Our fiscal years end each year on December 31st.

Attached as exhibits to this disclosure document are the following:

<u>Exhibit G-1</u>	Our audited financial statements for our fiscal year ending December 31, 2022.
<u>Exhibit G-2</u>	Our unaudited financial statements for the period from January through March 2023.

Item 22**Contracts**

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

Item 23**Receipts**

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

EXHIBIT A

Franchise Agreement with Exhibits



**Balance Franchise Group, LLC
Franchise Agreement**

**Balance Franchise Group, LLC
Franchise Agreement**

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Exhibits:

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

Balance Franchise Group, LLC Franchise Agreement

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

- BALANCE FRANCHISE GROUP, LLC, an Ohio corporation with its principal place of business at 215 N Summit Street, Toledo, Ohio 43604 ("**we**," "**us**," "**our**", or "**Franchisor**"); and [
- _____, a [resident of] [corporation organized in] [limited liability company organized in] the State of _____ and _____ having _____ offices at _____ ("**you**" or the "**Franchisee**").

Introduction

*We and our affiliates (as defined below) own a format and system relating to the establishment and operation of "Balance Pan-Asian Grille" restaurant businesses in brick-and-mortar buildings that feature, among other things, a specialty menu of Asian-Fusion items (each a "**Restaurant**"). Restaurants specialize in the sale of freshly prepared snacks, bowls, Asian tacos, bubble teas, proprietary sauces, and other products that we may periodically specify for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the "**Products**"). The services associated with offering Products to consumers are referred to as the "**Services**".*

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

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

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

You have asked to enter into the business of operating a Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

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

1 GRANT

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

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

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

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

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

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

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

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

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

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into

consideration commitments that we have made to other franchisees, licensees, landlords, real estate developers, and other parties relating to the proximity of a new Restaurant to their establishment. If you wish to relocate, then you must pay us a relocation fee of Five Thousand Dollars (\$5,000) and you also must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the "**Relocation Expenses**"). The parties will reconcile the Relocation Expenses within thirty (30) days after you have reopened your Restaurant at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

- 1.3 *Protected Area.* During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Restaurant within the area that is specified as your "**Protected Area**," in the Data Addendum (Exhibit A), subject to the limitations in Sections 1.4 through 1.7 below.
- 1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):
- 1.4.1 We have the right to establish, and franchise others to establish, Restaurants anywhere outside the Protected Area;
 - 1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
 - 1.4.3 We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below) inside or outside the Protected Area;
 - 1.4.4 We have the right to conduct catering and delivery service, as provided in Section 1.6 below;
 - 1.4.5 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a Restaurant inside the Protected Area); and
 - 1.4.6 We have the right to market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e-commerce), anywhere (but not from another Restaurant operating inside the Protected Area).

1.4.7 Definitions.

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

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

1.5 *Limits on Where You May Operate.*

1.5.1 You may offer and sell the Products only: **(a)** in accordance with the requirements of this Agreement and the procedures set out in the Franchise Brand Standards Manual (defined below); and **(b)** to customers of the Franchised Business.

1.5.2 You agree not to offer or sell any products or services (including the Products) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).

1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:

1.5.3.1 Face to face, for consumption on the Restaurant premises;

1.5.3.2 Face to face, for personal carry-out consumption; and/or

1.5.3.3 As provided in Section 1.6 below.

1.5.4 You further understand that we will not prohibit other Restaurants or food service business (whether owned or franchised by us or by our affiliates) from delivering Products to customers at any location, whether inside or outside of the Protected Area.

1.6 *Delivery and Catering.* You agree that Restaurants are primarily intended for on-premises and off-premises carry-out consumption, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including Delivery and Catering activities. We will consider various factors in determining whether to permit you to provide Delivery and/or Catering services from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

1.6.1 You agree not to engage in Delivery and/or Catering services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent.

- 1.6.2 Any Delivery or Catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Franchise Brand Standards Manual or otherwise in writing. By granting approval to any one or more proposals to cater or deliver, we will not be deemed to have given our approval to, or waived our right to disapprove or condition our approval of, any ongoing or additional Catering or Delivery activities.
- 1.6.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own and/or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you agree to participate and to pay the fees and costs associated with doing so.
- 1.6.4 We have the right to require that you conduct Delivery only through Restaurant staff and/or approved third-party Delivery vendors ("**TPD Providers**"). We will have the right at all times to approve or disapprove of any such Delivery services, TPD Providers, and other vendors (including aggregators), including the arrangements that you propose to make with any TPD Provider.
- 1.6.5 All Delivery and Catering sales that you make in any manner will be considered as part of the Net Sales (see Section 4.2.2 below) of your Franchised Business.
- 1.7 *Other Brands.* You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, or as a franchisee) in addition to the "Balance Pan-Asian Grille" brand, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.
- 1.8 *"Bubble Tea" Brand.* Without limiting our rights under Sections 1.4 and 1.7 above, you acknowledge and agree that:
- 1.8.1 We have developed a "Bubble Tea Est. 2010" brand (the "**Bubble Tea Brand**") that is identified by certain trade names (for example, the mark "BUBBLE TEA EST. 2010" and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the "BUBBLE TEA EST. 2010" mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our "**Bubble Tea Marks**").
- 1.8.2 We may require that you operate a line-extension using the "Bubble Tea Marks" and offering related "Bubble Tea" products within your "Balance Pan-Asian Grille" Franchised Business (a "**Line Extension**"). Even if we do so, we retain all of the rights explained in Section 1.8.3 below.
- 1.8.3 We have the right to establish, and license others to establish, businesses that are Line Extensions and/or that operate primarily under the Bubble Tea Brand and Bubble Tea Marks ("**Bubble Tea Businesses**") at any location outside your Protected Area, and even if those Bubble Tea Businesses: **(a)** use elements of the System; or **(b)** also offer or sell products and services that are the same as or similar to those offered from the Franchised Business.

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire ten (10) years from the date you first open your Franchised Businesses to paying customers.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchised Business for one (1) additional consecutive successor term of ten (10) years, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least three (3) months before the end of the term of this Agreement (but not more than twelve (12) months before the term expires).
- 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Restaurants (as well as the provisions of Section 8.8 below).
- 2.2.3 At the time of renewal you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates).
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the National Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.
- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term “**entity**” includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee of Ten Thousand (\$10,000).
- 2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).
- 3.3 *Standard Layout and Equipping of a Restaurant.* We will make available to, at no additional charge, our standard layout, design and image specifications for a Restaurant, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.
- 3.4 *Opening and Additional Assistance.* We will provide one or more representatives to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Franchise Brand Standards Manual (defined below).
- 3.5 *Franchise Brand Standards Manual.* We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a Restaurant (the “**Franchise Brand Standards Manual**”), in the manner and as described in Section 10 below.
- 3.6 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 14 below.
- 3.7 *Marketing Funds.* We will administer the National Marketing Fund (as defined in Section 14 below) in the manner set forth in Section 14 below.
- 3.8 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.
- 3.9 *Assistance.* We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.

- 3.10 *Services Performed.* You agree that any of our designees, employees, agents, or independent contractors (such as an “area representative”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.11 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

4 FEES; SALES REPORTING

- 4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is payable in consideration of the services that we provide to you in connection with helping you to establish your new Restaurant.
- 4.2 *Royalty Fee and Sales Reports.* For each Week during the term of this Agreement, you agree to: **(a)** pay us a continuing royalty fee in the amount equal to six percent (6%) of the Net Sales of the Franchised Business (“**Royalty Fees**” or “**Royalties**”); and **(b)** report to us your Net Sales, in the form and manner that we specify (a “**Sales Report**”), by the time specified in Section 4.3 below. As used in this Agreement:
- 4.2.1 The term “**Net Sales**” means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), whether for cash or credit, and regardless of theft, or of collection in the case of credit. Revenue from barter and/or business interruption insurance are included in Net Sales (and therefore subject to the Royalty Fee calculation above). Net Sales excludes sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.
- 4.2.2 The term “**Period**” means a calendar month, or, at our election a four or five-week retail accounting interval during the year for the purpose of organizing books and records (typically, with thirteen Periods in approximately one year). We have the right to establish the schedule for Periods with reasonable advance notice to you.
- 4.2.3 The term “**Week**” means a calendar week starting as soon as you open for business each Monday and ending at the close of business on Sunday (which may be on Monday after midnight when the business day started earlier on Sunday comes to a close) (except as indicated in the Manual)/

- 4.3 *Due Date.* All payments required by Section 4.2 above and Section 14 below must be made by ACH (as specified below) by Tuesday of each Week (the “**Due Date**”), based on the Net Sales of the previous Period. In addition, you agree to all of the following:
- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Period.
- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of “ACH - Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: (a) comply with the payment and reporting procedures that we may specify in the Franchise Brand Standards Manual or otherwise in writing; and (b) maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: (i) you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and (ii) if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.
- 4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Total Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.
- 4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the National Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.
- 4.4 *Technology Fee.* You agree to pay the technology fees that we designate to us (or our designee) (the “**Technology Fee**”) in the following amounts: (a) for those vendors that require that we collect and remit fees from franchisees, you agree to pay us the pass-through amount charged by the vendor on the schedule that we require so that we can pay the vendor (unless the vendor agrees to accept payment directly from you); (b) for our “Tier One” tech support

service, you agree to pay our then-current tech fees; and (c) for tech support in addition to our Tier One service, you agree to us our then-current service fee.

- 4.5 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.6 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.
- 4.7 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.8 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Net Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.8, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.
- 4.9 *Funds.* You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within eighteen (18) months after the Effective Date of this Agreement. **Time is of the essence.**
- 5.2 *Site for the Restaurant.* As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:
- 5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the Restaurant is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the

suitability of that location or the terms of the lease, sublease, and/or purchase agreement.

- 5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.
- 5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Restaurants).
- 5.3.4 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.
- 5.3.5 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.
- 5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:

- 5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;
 - 5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;
 - 5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Site does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your Restaurant operated at the Accepted Site (and that our acceptance indicates only that we believe that the Accepted Site and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and
 - 5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.
- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
 - 5.5.2 purchase or lease equipment, fixtures, furniture, and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Franchise Brand Standards Manual or otherwise);
 - 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
 - 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
 - 5.5.5 purchase an opening inventory of ingredients for Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Franchise Brand Standards Manual (depending on whether, for

example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.

- 5.6.2 You agree to comply with all Operating Codes, including, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.
- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 16 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Franchise Brand Standards Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

6 OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 *Market Operations Person and Management.*

6.1.1 One of the parties that owns an interest in you must serve as your “**Market Operations Person.**”

6.1.1.1 The Market Operations Person must assume ultimate responsibility for the daily supervision and operation of the Franchised Business and must own at least ten percent (10%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval at the same time as this Agreement is signed for the Market Operations Person to hold a smaller interest. The Market Operations Person (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.1.1.2 You may designate to us whether your Market Operations Person will also be a Principal or your business.

6.1.2 The Franchised Business must at all times be under the active full-time management of the Market Operations Person (who must have successfully completed our initial training program to our satisfaction).

6.1.3 The term “**Core Personnel**” means the Market Operations Person and the management personnel we specify (currently, a front-of-house manager, a back-of-house manager, and a “Bubble Tea” manager), all of whom have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 *Initial Management Training.*

6.2.1 *Phase 1 Management Training.* The Core Personnel must attend and successfully complete, to our satisfaction, the “Phase 1” management training program that we offer at our headquarters or another location that we specify. Currently, the Phase 1 management training program is a four-week long program; however, we have the right to modify this program as we deem necessary.

6.2.2 *Phase 2 Management Training.* The Core Personnel must attend and successfully complete, to our satisfaction, the “Phase 2” management training program that we will conduct on-site at your Franchised Business or another location that we specify. Currently, the Phase 2 management training program is a three-week long program facilitated by three members of our training team. If you request, or we determine that it is necessary, that we send more than three members of our training team to conduct this program, then you agree to pay our additional per diem, costs, and expenses for sending these individuals (which are in addition to your obligations under 6.3.5 below). We have the right to modify this program as we deem necessary.

6.3 *Additional Obligations and Terms Regarding Training.*

6.3.1 If for any reason any of your Core Personnel cease active management or employment at the Franchised Business, or if we revoke the certification of your Core Personnel to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial management training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete "Phase 1" of the management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us our then-current training fee for each replacement individual to be trained, with payment to be made in full before training starts. Notwithstanding the foregoing, if any one of your Core Personnel cease active management or employment at the Franchised Business, you may elect to have the departing Core Personnel conduct "Phase 1" of the management training for their replacement (so long as the training is conducted in accordance with our standards and completed to our satisfaction).

6.3.2 We may require that you and your Core Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.

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

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

6.3.5 *Training Costs and Expenses.*

6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.3, 6.4, and 6.5 of this Agreement.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including Ohio or elsewhere.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 16 below.

6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training.* You may ask us, or we may deem it necessary, to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or

inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement (subject to Section 18.3 below) and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

- 6.5 *Conventions and Meetings.* You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.
- 6.6 *Multi-Unit Franchisees.* If this Agreement is for the second (or more) "Balance Pan-Asian Grille" Restaurant that you (and your affiliates) will operate, then we may require that you have the Core Personnel for your first Restaurant conduct "Phase 1" of the initial management training, subject to the following:
- 6.6.1 Each of the Core Personnel for your first Restaurant must have successfully completed "Phase 1" of the management training program to our satisfaction at least sixty (60) days before conducting the "Phase 1" training of your new Restaurant's personnel (and those individuals must remain acceptable to us to conduct such training).
- 6.6.2 You will be responsible to ensure that the Core Personnel that conduct training at your new Restaurant are also able to carry out all of their responsibilities relating to the Restaurant in which they are primarily working.
- 6.6.3 You (and your affiliates) must be in substantial compliance under this Agreement and any other agreements between you (and your affiliates) and us (and our affiliates).
- 6.6.4 We have the right to withdraw the requirement that your Core Personnel conduct "Phase 1" training for your new Restaurant. Nothing in this Section 6.6 implies or requires us to approve your Core Personnel to conduct Phase "2" training.
- 6.6.5 If this is your second or third "Balance Pan-Asian Grille" Restaurant that you (and your affiliates) will operate, then we will conduct a modified two-week long "Phase 2" training facilitated by our three-person training team. If you request, or we determine that it is necessary, for us to: (a) send more of our representatives to facilitate the training; or (b) extend the duration of the training; then you agree to pay our additional per diem, costs, and expenses. If this is your fourth or subsequent "Balance Pan-Asian Grille" Restaurant, then we may modify our training requirements (including by reducing the number of members of our training team who will facilitate the training).

7 PURCHASING AND SUPPLY

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

- 7.1 *Input Items.* You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and other products and services

used (or offered for sale) at the Restaurant (together, “**Input Items**”) only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Products that you buy from approved suppliers.) In this regard, the parties further agree:

- 7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).
- 7.1.2 For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).
- 7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product or a Service.
- 7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.
- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the

network of Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.

- 7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.
- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You agree that: **(a)** we have the right to require that certain Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products ("**Proprietary Items**"); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a "Proprietary Item."
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Franchise Brand Standards Manual or otherwise in writing (for example, USDA Grade A eggs).
- 7.4 *Use of the Marks.* You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 14.8 below).
- 7.5 *Manufacturing.* You agree not to produce or otherwise manufacture any items in your Restaurant (except for products that we have otherwise authorized and approved for production in the Franchise Brand Standards Manual or otherwise in writing).

8 YOUR DUTIES

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

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other “Balance Pan-Asian Grille” franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.
- 8.2 *Opening.* In connection with the opening of the Franchised Business:
- 8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.
- 8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a reasonable, mutually agreed upon date on which our representative can be in attendance.
- 8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.
- 8.2.4 You agree not to open the Franchised Business until the Market Operations Person and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business’s customers.
- 8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.
- 8.3 *Staffing.*
- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Franchise Brand Standards Manual.
- 8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the

operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.

- 8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other “**uniform**”) apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Franchise Brand Standards Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you (and that you ensure that your employees also) comply with our brand standards concerning personal appearance (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).
- 8.3.4 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.
- 8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Franchise Brand Standards Manual or otherwise in writing. In this regard, you agree to do all of the following:
- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.

- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.
- 8.5 *Use of the Premises.*
- 8.5.1 You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.
- 8.5.2 If you operate the Franchised Business in a Common Area, we will not unreasonably withhold our consent to: (a) your proposed use of music, selection of furniture, choice of beverages, and/or hours of operation of the Franchised Business in accordance with the requirements set by the Common Area landlord or operator (subject to Sections 9, 11, 12, 17, 18, 19, and 20.1 of this Agreement); and (b) your use of insurance policies that cover the Franchised Business as well as other businesses that you and/or your affiliates operate in the Common Area (so long as you meet the requirements of Section 16 below). The term “**Common Area**” is agreed to mean a food hall, food court, or other shared area.
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Franchise Brand Standards Manual or as we may otherwise approve in writing.
- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, “**Operating Codes**” means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Products, construction and design of the Restaurant, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).
- 8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.
- 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide.

Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.

- 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business:*

- 8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signage and graphics, wall finishes, damaged furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for your equipment and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8.1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a Minor Refurbishment as we may reasonably require, which will: (a) take place no more than once every five (5) years; and (b) not include requests that have not already been completed by, or are not scheduled to be completed Restaurants operated by us or our affiliates. (The term "Minor Refurbishment" includes Computer Upgrades as defined in Section 15 below.)

- 8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Major Remodeling**"). In this regard, the parties agree that:

8.8.2.1 You will not have to conduct a Major Remodeling prior to the ten (10) year anniversary of the Effective Date;

8.8.2.2 You will not be required to spend more than One Hundred Fifty Thousand Dollars (\$150,000) on the Major Remodel; and

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

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

8.10 *Depending on your type of Entity:*

- 8.10.1 *Corporation.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business (that is, you agree not to conduct other business activity through the corporation that you have designated to be the “Franchisee” under this Agreement); **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.
- 8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business (that is, you agree not to conduct other business activity through the LLP that you have designated to be the “Franchisee” under this Agreement); **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.
- 8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business (that is, you agree not to conduct other business activity through the LLC that you have designated to be the “Franchisee” under this Agreement); **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.
- 8.10.4 *Guarantees.* If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.
- 8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “customer survey,” “food safety,” and/or similar quality-control and evaluation programs with respect to Restaurants. You agree to participate in such programs as we require. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to immediately implement the remedial actions needed to address the deficiencies noted.

8.12 *Prices.*

8.12.1 We may periodically provide suggested retail pricing, however (subject to Section 8.12.2 below), you will always have the right to set your own prices.

8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item in your market, then you may charge any price for that item up to and including the maximum price we have established for your market; and **(b)** if we have established a minimum price for a particular item for your market, then you may charge any price for that item that is equal to or above the minimum price we have established for your market. You may ask that we take into account, as we determine these maximum and minimum price standards, the impact of inflation and other local market cost factors (however, we will retain the right to determine the maximum and minimum prices on our own).

8.13 *Environmental Matters.* Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Franchise Brand Standards Manual, and you agree to abide by those standards.

8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

8.15 *Suspending Operation.* You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or products or services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
 - 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
 - 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “Balance Pan-Asian Grille” without prefix or suffix (except with our prior written approval).
 - 9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).
 - 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.
 - 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
 - 9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 15.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.
 - 9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.
 - 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

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

9.2.9.2 Defense and Costs:

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

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

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

9.3 *Your Acknowledgements*. You agree that:

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

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

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

- 9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.
- 9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.
- 9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:
- 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;
 - 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and
 - 9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.
- 9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL FRANCHISE BRAND STANDARDS MANUAL

- 10.1 *You Agree to Abide by the Franchise Brand Standards Manual.* In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Franchise Brand Standards Manual. We will lend to you (or permit you to have access to) one (1) copy of our Franchise Brand Standards Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *Format of the Franchise Brand Standards Manual.* We will have the right to provide the Franchise Brand Standards Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Franchise Brand Standards Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Franchise Brand Standards Manual from time to time. If at any time we choose to provide some or all of the Franchise Brand Standards Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Franchise Brand Standards Manual that we have previously provided to you.
- 10.3 *We Own the Franchise Brand Standards Manual.* The Franchise Brand Standards Manual will at all times remain our sole property and you agree to promptly return the Franchise Brand

Standards Manual (including any and all copies of some or all of the Franchise Brand Standards Manual) when this Agreement expires and/or is terminated.

10.4 *Confidentiality and Use of the Franchise Brand Standards Manual.*

10.4.1 The Franchise Brand Standards Manual contains our proprietary information and you agree to keep the Franchise Brand Standards Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Franchise Brand Standards Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Franchise Brand Standards Manual is not in use by authorized personnel, you agree to maintain secure access to the Franchise Brand Standards Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Franchise Brand Standards Manual) with access to the security protocols for the Franchise Brand Standards Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Franchise Brand Standards Manual in whole or in part.

10.5 *You Agree to Treat Franchise Brand Standards Manual as Confidential.* You agree that at all times, you will treat the Franchise Brand Standards Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

10.6 *Which Copy of the Franchise Brand Standards Manual Controls.* You agree to keep your copy of the Franchise Brand Standards Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Franchise Brand Standards Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Franchise Brand Standards Manual, the terms of the master copy of the Franchise Brand Standards Manual that we maintain in our head office will be controlling. Access to any electronic version of the Franchise Brand Standards Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 15 below.

10.7 *Revisions to the Franchise Brand Standards Manual.* We have the right to revise the contents of the Franchise Brand Standards Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Franchise Brand Standards Manual and to comply with each new or changed standard.

10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 *Confidentiality.*

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

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

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

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

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

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports.*

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Franchise Brand Standards Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program. Nothing in this clause requires your CPA to share with us its advice or guidance to you.

12.1.4 Each Period, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 15.1.2 below), the Sales Report for the immediately preceding Period. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements.*

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an

income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

- 12.2.2 In addition, each Period during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each Period; **(b)** reports of those income and expense items of the Franchised Business for the Period that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above by the Due Date, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.
- 12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.
- 12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days of when you file those returns and within one hundred and eighty (180) days of each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).
- 12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.
- 12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Franchise Brand Standards Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business

and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 15 below.

- 12.4 *PCI Compliance and Credit Cards.* With respect to processing customer payments by credit and debit cards, you agree to do all of the following:
- 12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Franchise Brand Standards Manual.
 - 12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").
 - 12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
 - 12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
 - 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
 - 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 15.3 below.
 - 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.5 *Gift Cards and Incentive Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Franchise Brand Standards Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Franchise Brand Standards Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with

the supplier of gift cards and gift card processing services, as we may specify in writing in the Franchise Brand Standards Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing. The parties agree that any gift card program shall be operated in compliance with state law and any other applicable requirements (including those relating to residual value).

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

13 DRAG-ALONG/TAG-ALONG OPTION

- 13.1 *Trigger by Monetization Event.* If a Monetization Event occurs:

13.1.1 We will either: (a) purchase all of the assets of your Franchised Business (including the lease) as described in Section 13.2 below (the "**Drag-Along Option**"); or (b) allow you the option to sell us all of the assets of your Franchised Business (including the lease) as described in Section 13.3 below (the "**Tag-Along Option**").

- 13.1.2 We will have the sole right to determine whether to select the Drag-Along Option or the Tag-Along Option. We will make our decision, in part, based on the nature and details of the transaction underlying the Monetization Event.
- 13.1.3 We will provide written notice to you of our decision to exercise either the Drag-Along Call or the Tag-Along Call (the "**Call Notice**") at least sixty (60) days before the Monetization Event is set to close.
- 13.2 *Drag-Along Option.* If we elect to exercise the Drag-Along Option under Section 13.1 above, then:
- 13.2.1 We will purchase, for the Net Purchase Price, your right, title, and interest in all of the assets and properties of the Franchised Business (including any real estate lease or other right of occupancy), subject to the parties' execution of a contract to implement this Section 13 and to terminate this Agreement by mutual consent (including the exchange of releases). For the purposes of this Section 13 and the Drag-Along Option, the "**Net Purchase Price**" shall be payable at closing of the Monetization Event transaction and shall be calculated as follows:

Step 1:	Your Franchised Business' Adjusted EBITDA
Multiplied by:	The Buyout Multiple
Minus:	Your Pro Rata Transaction Expenses
Divided By:	Two
Equals:	The Net Purchase Price

As used in this Section 13.2:

- 13.2.1.1 "**Adjusted EBITDA**" means the EBITDA which is calculated for your Franchised Business in connection with the Monetization Event and which has been adjusted by the parties to the Monetization Event to account for certain: (a) general and administrative expenses; and (b) net royalty add-backs. For illustration only (and not to amend the above), examples of Adjusted EBITDA by the purchasing party include that: (a) certain general and administrative expenses for the above store costs will be applied; and/or (b) past or forward EBITDA projections will be used depending on the tenure of the store. For each buyer, there will be individually-set adjustments and normalization metrics and we will make reasonable efforts to maximize the Adjusted EBITDA; however, in each case, we will ultimately have the sole right to determine the Adjusted EBITDA.
- 13.2.1.2 "**Buyout Multiple**" means the same EBITDA multiple that applies to the Monetization Event.
- 13.2.1.3 "**Pro Rata Transaction Expenses**" means the share of transaction expenses relating to the Monetization Event that we allocate to your Franchised Business, which allocation we will have the sole right to determine. For illustration only (and not to amend the above), we anticipate that we will incur various expenses, such as attorneys' fees and other professional service fees, in connection with the Monetization Event and the

exercise of the Drag-Along Option, and we expect to allocate a portion of these expenses to your Franchised Business on a pro rata basis along with other units operated by franchisees and by us and our affiliates.

- 13.2.1.4 We will allow you limited access to review the transaction documents for the underlying Monetization Event for the purpose of verifying the Adjusted EBITDA, the Buyout Multiple, and the Pro Rata Transaction Expenses.
- 13.2.2 To the extent the liabilities of the Franchised Business subject to the Drag-Along Option exceed the cash on hand in the Franchised Business subject to the Drag-Along Option and the net accounts receivable (excluding bad accounts) transferred to us, we shall have the right to require that a part of the Net Purchase Price be paid directly to the creditors of the Franchised Business at the closing, such that we shall receive the Franchised Business free and clear of all said liabilities (including any liens). We also have the right to offset any amounts that you owe to us against the Net Purchase Price.
- 13.2.3 The Drag-Along Option shall be subject to such terms, conditions, and covenants of indemnity, warranty, and the like as we shall require, including the parties' execution of a mutual termination agreement relating to this Agreement (which shall include mutual releases) as well as satisfaction by you of all conditions that shall enable us to treat the accounting of the purchase in the Drag-Along Option in the manner most favorable to us.
- 13.2.4 You shall at your expense cause your financial statements to be audited by accountants acceptable to us, if this is a condition of the sale underlying the Monetization Event, and requested by the buyer.
- 13.2.5 Each party shall be responsible for the costs incurred in providing its own legal counsel and conducting business due diligence.
- 13.3 *Tag-Along Option.* If we elect to exercise the Tag-Along Option under Section 13.1 above, then:
- 13.3.1 You may elect to either: (a) continue operating your Franchised Business under this Franchise Agreement; or (b) sell all of the assets of your Franchised Business (including the lease) to us (or the party that we have designated in writing to be the buyer). You must notify us of your decision under this Section 13.3.1 within thirty (30) days after the date of the Call Notice. If you fail to notify us of your decision within said thirty-day period, you will be deemed to have granted us an option to purchase your Franchised Business subject to the terms and for the Net Purchase Price specified for the Drag-Along Option in Section 13.2 above.
- 13.3.2 If you elect to continue operating your Franchised Business under this Franchise Agreement, you acknowledge and agree that, in connection with the Monetization Event, we may exercise our rights under Section 17.1 below before or after the closing of the Monetization Event.
- 13.3.3 If you elect to sell all of the assets of your Franchise Business to us, we will purchase your Franchised Business subject to the terms of Section 13.2 above and for the Net Purchase Price specified for the Drag-Along Option.

13.4 *General.*

- 13.4.1 As used in this Section 13, "**Monetization Event**" means any one or more of the following:
- 13.4.1.1 the sale of all or a majority of our business or assets (as part of an extraordinary capital transaction);
 - 13.4.1.2 a public offering of all or any portion of the equity securities of us (or interests in a feeder, successor, or subsidiary entity pursuant to a corporate conversion);
 - 13.4.1.3 a sale or issuance of equity interests or other transaction of us that results in all or a majority of the aggregate economic ownership of us being held by any third-party investor; and/or
 - 13.4.1.4 any derivative or other transaction with similar effect to any of the foregoing as we reasonably determine.
- 13.4.2 If we exercise the Drag-Along Option, or if you elect to sell us your Franchised Business under the Tag-Along Option, that transaction:
- 13.4.2.1 Must close within sixty (60) days after the Monetization Event occurs (or sooner if necessary to comply with the terms of the underlying Monetization Event); and
 - 13.4.2.2 Will not be deemed a "transfer" by you for the purpose of Sections 17.5, 17.6, 17.8, and/or 17.11 of this Agreement.
- 13.4.3 We have the sole right to evaluate, negotiate, and determine whether or not to enter into any transaction that may qualify as a Monetization Event. We will provide you with notice concerning a Monetization Event as required under Section 13.1.3 above; we are not required to provide any other notices or details to you (for example, notice of any proposed Monetization Event, our decision whether or not to enter into such a transaction, or otherwise).

14 **MARKETING**

14.1 *Total Marketing Contribution.*

- 14.1.1 For each Week during the term of this Agreement, you agree to contribute or spend an amount equal to three percent (3%) of your Franchised Business' Net Sales during the preceding Week (the "**Total Marketing Contribution**"), allocated as provided in Section 14.1.3 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 14). In addition to the Total Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 14.5 below).
- 14.1.2 We will have the right to allocate your Total Marketing Contribution in the proportion that we designate among the following: **(a)** the marketing and promotional fund for the U.S. (the "**National Marketing Fund**"), if established as noted below; **(b)** any Regional

Fund established for your area, as provided in Section 14.3 below (but we are not required to establish a Regional Fund for your area); and **(c)** to be spent by you on local marketing and promotion.

14.1.3 We currently allocate the Total Marketing Contribution as follows:

2%	To be contributed to the National Marketing Fund; and
1%	To be spent by you on local marketing and promotion, as specified in Section 14.4 below.

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

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

14.2 *National Marketing Fund.* We have the right (but not the obligation) to establish, maintain, and administer the National Marketing Fund. All of the following provisions will apply to the National Marketing Fund:

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

14.2.2 The National Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association),

establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).

- 14.2.3 You agree to contribute the portion of the Total Marketing Contribution allocated to the National Marketing Fund in the manner and at the times that are specified above in Section 4.3. The National Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the National Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the National Marketing Fund and marketing programs for franchisees and the System. The National Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the National Marketing Fund.
- 14.2.4 The National Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the National Marketing Fund as shown on our books.
- 14.2.5 Although once established the National Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the National Marketing Fund. The National Marketing Fund will not be terminated, however, until all monies in the National Marketing Fund have been expended for marketing purposes.
- 14.2.6 We will not use the National Marketing Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.
- 14.3 *Regional Fund.* We have the right to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. The following provisions will apply to each such Regional Fund:
- 14.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.
- 14.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
- 14.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 14.8 below.

- 14.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 14.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.
- 14.3.5 Voting will be on the basis of one vote per full-service Restaurant, and any full-service Restaurants that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised Restaurant in the Regional Fund shall also have one vote (no matter how many people own the franchisee).
- 14.3.6 A majority of the Restaurant owners in the Regional Fund may vote to increase the amount of each Restaurant owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each Restaurant's Net Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Restaurant's contribution as provided in this section.
- 14.3.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- 14.4 *Local Marketing and Promotion.* You must spend such amounts on local marketing and promotion as we specify in Sections 14.1.3 and 14.1.4 above on a continuous basis (monthly if not otherwise as agreed with us in writing). As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:
- 14.4.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food give-aways, but only the wholesale cost plus direct labor associated with the food give-aways);
- 14.4.2 Charitable, political, or other contributions or donations; and/or
- 14.4.3 The value of discounts provided to consumers.
- 14.5 *Grand Opening Marketing Program.* In addition to the Total Marketing Contribution, you agree to spend at least the amount designated on the Data Sheet attached as Exhibit A for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty (60) days before the scheduled commencement date for the Franchised Business and be completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 14.8 below. You

may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food give-aways).

- 14.6 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 14.7 *Standards.* All of your local marketing and promotion must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 14.8 below.
- 14.8 *Our Review and Right to Approve All Proposed Marketing.* For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 25 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 14.9 *Rebates.* You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 14.10 *Considerations as to Charitable Efforts.* You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 14.11 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.
- 14.12 *Annual Review of National Marketing Fund.* Without limiting our rights under Section 14.2 above, we will prepare and distribute to you, after the end of each fiscal year, an annual statement of the operations of the National Marketing Fund as shown on our books. At such

time, we will also seek feedback from you regarding the operations of the National Marketing Fund in the most recent fiscal (the “**Annual Review**”). The goal of the Annual Review is for you and us to collaborate to ensure the National Marketing Fund is maximizing, general public recognition, acceptance, and use of the System.

15 TECHNOLOGY

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

15.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, and in accordance with our standards, including: **(a)** back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; **(b)** point-of-sale (POS) (defined in Section 15.6 below); **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** internet access mode (e.g., form of telecommunications connection) and speed; **(g)** technology used to enhance and evaluate the customer experience; **(h)** digital and virtual menu boards and related technology, hardware, software, and firmware; **(i)** front-of-the-house WiFi and other connectivity service for customers; **(j)** cloud-based back-end management systems and storage sites; **(k)** in-shop music systems under Section 8.4.7 above; and **(l)** consumer-marketing oriented technology (including affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites) (collectively, all of the above are referred to as the “**Computer System**”).

15.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, software as a service programs, technology platforms, and other such solutions) (“**Required Software**”), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term “Required Software” also includes the affinity program cards that is required under Section 12.5 above.

15.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

15.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, “**Computer Upgrades**”) (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).

- 15.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 15.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).
- 15.1.7 Each Week, you agree to pay us a technology fee in our then-current amount (presently, there is no technology fee, but we have the right as circumstances warrant to start requiring the payment of a technology fee (and to change the fee periodically) by giving you written notice one or more Weeks before that change takes effect). You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.
- 15.2 *Data.*
- 15.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. In this Agreement, references to “data” exclude consumers’ credit card and/or other payment information.
- 15.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 15.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 15.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.
- 15.3 *Data Requirements and Usage.* We may periodically specify in the Franchise Brand Standards Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:
- 15.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, vendor, and transactional information (“**Privacy Laws**”).

- 15.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give us written notice of such conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
- 15.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
- 15.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.
- 15.4 *Extranet.* You agree to comply with our requirements (as set forth in the Franchise Brand Standards Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term “**Extranet**” means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Franchise Brand Standards Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.
- 15.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, TikTok, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), the metaverse, and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:
- 15.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.
- 15.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 14.8 above.

- 15.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
- 15.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 15.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Franchise Brand Standards Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
- 15.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
- 15.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 15.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 15.6 *POS Systems.* You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Franchise Brand Standards Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Net Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.
- 15.7 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: (a) the content of such electronic advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending

communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)

- 15.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent. You also agree not to implement, use, or otherwise engage with AI Sources without our prior written consent. The term "**AI Source**" means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.
- 15.9 *Telephone Service.* You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.
- 15.10 *Changes.* You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 15 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.
- 15.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.
- 15.11.1 In order to implement the terms of this Section 15.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

15.11.2 The consent given in this Section 15.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

15.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@BalanceGrille.com or "jane.jones@BalanceGrillefranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15.12 *Technology Support.* You must use the supplier we designate (which may be us and/or our affiliates) for Tier 1 Support relating to the Required Software, as well as other systems and software we may periodically designate (the "**Technology Support**"). You may be required to enter into a separate agreement with the supplier for the Technology Support. As used here, "**Tier 1 Support**" means the initial response to technical questions and problems raised by franchisees.

16 INSURANCE

16.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-VII" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Franchise Brand Standards Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 16):

16.1.1 Comprehensive General Liability for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 aggregate and no exclusion for third party delivery services;

16.1.2 Automobile liability for all owned, non-owned and rented vehicles used in the franchised operations for a limit of \$1,000,000 Combined Single Limit Liability (not included with the General Liability) and no exclusion for delivery;

16.1.3 Workers' Compensation and Employer's Liability statutory for the state of where your franchised restaurant is located and Employer's Liability of \$1,000,000 by accident,

\$1,000,000 by disease policy limit and \$1,000,000 by disease each accident (Stop Gap Coverage);

- 16.1.4 Umbrella Liability of \$1,000,000 in excess of Auto liability, Comprehensive General Liability & Employer's Liability policies;
 - 16.1.5 Property Insurance for 100% of the replacement cost of all furniture, fixtures, equipment, inventory, building (if applicable) and tenant buildout in your franchised restaurant on special form coverage basis. This policy will also include Business Income and Extra Expense coverage for Actual Loss Sustained for 12 months or at least 50% of annual sales, if not available, and an Extended Period of Indemnity for not less than 180 days
 - 16.1.6 Employment Practices Liability of at least \$1,000,000 aggregate including third party coverage for harassment and discrimination of non-employees and Wage & Hour Defense cost of \$100,000 and naming us as Co-defendant;
 - 16.1.7 Cyber Liability of \$1,000,000 for all first and third party data breaches including but not limited to; identity thefts, phishing attacks, social engineering, ransomware and data response/crisis management expenses;
 - 16.1.8 Trade Name Restoration coverage of \$500,000 per location to pay for your lost profit from an actual or alleged contamination event anywhere in the brand; and
 - 16.1.9 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 16.2 below).
- 16.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 16 (above and those below), you agree that:
- 16.2.1 All policies listed in Section 16.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Franchise Brand Standards Manual (including primary and noncontributory endorsements).
 - 16.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
 - 16.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.
 - 16.2.4 You agree to provide us with thirty (30) days' advance written notice In the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 25 below.

- 16.3 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Franchise Brand Standards Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 16.1 above.
- 16.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 22.4 below. Additionally, the requirements of this Section 16 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Restaurants that you (and/or your affiliates) operate under the System.
- 16.5 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 16.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 16.6 *Required Coverages are Minimums.* You agree that the specifications and coverage requirements in this Section 16 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.
- 16.7 *Obtaining Coverage.* If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

17 TRANSFER OF INTEREST

- 17.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 17.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

- 17.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.
- 17.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:
- 17.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.
- 17.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.
- 17.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 17 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 18.2.5 below.
- 17.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 17.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.
- 17.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Restaurant (such as sales reports) (although we will have the right not to provide any or all such information).
- 17.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 17.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 17.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents,

representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.

- 17.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 17.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 17.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.
- 17.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.3 within the time period that we specify.
- 17.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 17.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 17.5.8 A Principal of the transferee whom we designate to be a new Market Operations Person, and those of the transferee's Market Operations Person and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 17.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be **(a)** Fifteen Thousand Dollars (\$15,000) if the transferee (or one of its affiliates) is not a current "Balance Pan-Asian Grille" franchisee; or **(b)** Five Thousand Dollars (\$5,000)

if the transferee (or one of its affiliates) is a current a current “Balance Pan-Asian Grille” franchisee. If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer’s payment of) any applicable commission to the broker in connection with the transfer.

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

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

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

17.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 17.6) as in the case of the third party’s initial offer. If we do not exercise the option afforded by this Section 17.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 17, with respect to a proposed transfer.

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

17.6.4 If we exercise our rights under this Section 17.6, then we will have the right to set off all amounts due from you against any payment to you.

17.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person’s executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to

transfer the person's interest. The transfer will be subject to the provisions of this Section 17, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.

- 17.7.1 In addition, if the deceased or incapacitated person is the Market Operations Person, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 17.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 17.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 17.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 18.2 below.
- 17.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 17 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 17.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 17.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 17, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 17.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 17.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the

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

17.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 22.5.2 below) in connection with the offering.

17.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

17.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 17.11 commences. Any such offering will be subject to all of the other provisions of this Section 17, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

17.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

18 DEFAULT AND TERMINATION

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

18.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 25 below):

- 18.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);
- 18.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 23 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);
- 18.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein and whereby you: **(a)** fail to promptly (as we determine) remove, or **(b)** cannot promptly (as we determine) remove, the offending Principal(s) from your ownership group, the business, or otherwise;
- 18.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.15 above;
- 18.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 17 above;
- 18.2.6 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Franchise Brand Standards Manual or other confidential information that we provide to you;
- 18.2.7 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 17.7 above;
- 18.2.8 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 18.2.9 If you commit three (3) or more material defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
- 18.2.10 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the Restaurant that is not a Retail Product or a Service;
- 18.2.11 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

18.2.12 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

18.3 *With Notice and Opportunity to Cure.*

18.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 25 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

18.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 18.3.1 above.

18.3.3 If you have committed a Terminal Offense under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), then you agree that we will also have the right to terminate this Agreement. As used in this Agreement, the term “**Terminal Offense**” means any action (or lack of action) by you (and/or your affiliates) that gives us (and/or our affiliates) the right to terminate any other franchise agreement or other contract agreement between you (and/or your affiliates) and us (and/or our affiliates).

18.3.4 If you fail to comply with the requirements of Section 20 below;

18.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 18, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee’s offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

- 18.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.
- 18.6 *Reservation of Rights under Section 18.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 18.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 18.7 *Damages.* You agree that to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

19 OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

- 19.1 *Cease Operation.* You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 19.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the marks "Balance Pan-Asian Grille" and "Balance Pan-Asian Grille" and any and all other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.
- 19.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "Balance Pan-Asian Grille" and "Balance Pan-Asian Grille" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 19.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.
- 19.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other

Restaurants, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.

- 19.4.2 If you fail or refuse to comply with all of the requirements of this Section 19.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 19.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 19.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 19.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 19.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 19, which will be in addition to amounts due to us under Section 19.11 below.
- 19.9 *Return Confidential Information.* You agree to immediately return to us the Franchise Brand Standards Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

- 19.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 19.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 19.
- 19.12 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

20 COVENANTS

- 20.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing at the time this Franchise Agreement is signed, you (or the Market Operations Person) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 20.2 *Understandings.*
- 20.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.
- 20.2.2 As used in this Section 20, the term "**Competitive Business**" is agreed to mean any foodservice business as to which the sale of healthy Asian-fusion style menu items (including tacos and buildable bowls) and/or bubble tea based drinks comprise twenty percent (20%) or more of its gross revenues.
- 20.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 17 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:
- 20.3.1 Divert or attempt to divert any actual or potential business or customer of any Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

- 20.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.
- 20.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 20.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 17 above, these restrictions will apply only **(a)** within three (3) miles of the Accepted Location; and **(b)** within three (3) miles of any then-existing or planned Restaurant business that is then-currently operated or planned elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.
- 20.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 17 above:
- 20.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and
- 20.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 20.6 *Non-Compliance.* Any time during which you do not comply with the requirements of this Section 20, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 20.7 *Publicly-Held Entities.* Section 20.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 20.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3 and 11 above, and this Section 20 (as modified to apply to an individual), from your Market Operations Person and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 18.3.4 above.
- 20.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 20 and, if we do so, you agree to comply with the obligations as we have reduced them.

- 20.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 20. In the event of a dispute, the prevailing party shall be entitled to recover from the other party all of its costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred in connection with the enforcement of this Section 20.
- 20.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or relating to terrorist acts and/or acts of war.
- 20.12 *Defaults.* You agree that if you violate this Section 20, that would result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 20.

21 TAXES, PERMITS, AND INDEBTEDNESS

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

21.5 *Notice of Violations and Actions.* You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

22 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

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

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

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

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

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

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

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

22.4 *Indemnification.*

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

22.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

22.4.3 *Definitions.* As used in this Section 22.4, the parties agree that the following terms will have the following meanings:

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

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

22.4.3.3 **“Franchisor Parties”** means us and our shareholders, parents, subsidiaries, and affiliates, and all of those entities’ respective officers, directors, members, managers, agents, and employees.

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

23 FORCE MAJEURE

23.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 23.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, environmental emergencies, public health emergencies, epidemics, pandemics, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture,

purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

- 23.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 23.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

24 APPROVALS AND WAIVERS

- 24.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.
- 24.2 *No Warranties or Guarantees.* You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.
- 24.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

25 NOTICES

- 25.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.
- 25.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.
- 25.3 The Franchise Brand Standards Manual, any changes that we make to the Franchise Brand Standards Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 25.

26 ENTIRE AGREEMENT AND AMENDMENT

- 26.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, and representations. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement or any other document is meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document ("**FDD**") (including its exhibits).
- 26.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

27 SEVERABILITY AND CONSTRUCTION

- 27.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 27.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 27.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 17.4 above, any rights or remedies under or by reason of this Agreement.
- 27.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 27.5 *Including.* The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".
- 27.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.

27.7 *Expenses.* Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

27.8 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

28 APPLICABLE LAW AND DISPUTE RESOLUTION

28.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Ohio, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Ohio choice-of-law rules); provided, however, that if the covenants in Section 20 of this Agreement would not be enforced as written under Ohio law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 28.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Ohio (or any other state) that would not otherwise apply if the words in this Section 28.1 were not included in this Agreement.

28.2 *Choice of Venue.* Subject to Section 28.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over Toledo, Ohio. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

28.2.1 The parties agree that this Section 28.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

28.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

28.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

28.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 28.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Cleveland, Ohio.

28.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

28.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or

damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

- 28.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 28.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 28.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).
- 28.9 *Payment of Expenses and Legal Fees.* You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

29 ACKNOWLEDGMENTS

- 29.1 *No Waivers.* Nothing in this Agreement is meant as, or may be construed, or otherwise interpreted: (a) as a waiver of any state law that may apply to you; nor (b) as a disclaimer of any statement or representation that we have made in our FDD.
- 29.2 *Your Investigation.* We have recommended that you conduct an independent investigation of the business franchised under this Agreement.
- 29.3 *No Warranties or Guarantees.* We do not make (and do not permit anyone speaking on our behalf) to make any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.
- 29.4 *Your Advisors.* We recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement.
- 29.5 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: (a) negotiating and entering into this Agreement;

- (b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.
- 29.6 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.
- 29.7 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Center, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 29.8 *Different Franchise Offerings to Others.* We may modify the terms under which we offer franchises to other parties (which may differ from the terms, conditions, and obligations in this Agreement).
- 29.9 *Our Advice.* You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 29.10 *Your Independence.* You agree that:
- 29.10.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
- 29.10.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
- 29.10.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
- 29.10.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
- 29.10.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.
- 29.11 *Success Depends on You.* The success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions,

area competition, availability of product, quality of services provided as well as other factors. We make no representations or warranties as to the potential success of the business venture contemplated under this Agreement.

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

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1642, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

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

Balance Franchise Group, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

By: _____

Name: _____

Title: _____

Address for Notices:

Address for Notices:

215 N. Summit Street
Toledo, Ohio 43604

Telephone: _____

Attn: _____

E-mail: _____

Telephone: _____

Fax: _____

Attn: _____

E-mail: _____

BALANCE FRANCHISE GROUP, LLC
 FRANCHISE AGREEMENT
 EXHIBIT A
DATA SHEET

¶	Section Cross-Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____
2	1.3	The Protected Area under this Agreement will be a circle with a radius of _____ (____) miles and its center at the front door of the Restaurant (subject to Section 1.3 of this Agreement).
3	13.5	Your minimum expenditure on the Grand Opening Marketing Program will be \$25,000.

Initials

Franchisee

Franchisor

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Balance Franchise Group, LLC (“**Franchisor**”) to sign the Balance Pan-Asian Grille Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 202____ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

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

- Upon Franchisor’s demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 17** (generally regarding Transfers), **Section 19** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 20** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor’s marks such as the

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

This Guarantee will be interpreted and construed in accordance with **Section 28** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Ohio, and that in the event of any conflict of law, Ohio law will prevail (without applying Ohio conflict of law rules).

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

(signed in his/her personal capacity)

Printed Name: _____

Date: _____

Home Address: _____

(signed in his/her personal capacity)

Printed Name: _____

Date: _____

Home Address: _____

(signed in his/her personal capacity)

Printed Name: _____

Date: _____

Home Address: _____

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

_____ Franchisee

_____ Franchisor

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT D

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

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes Balance Franchise Group, LLC (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to our instructions.

Depository/Bank Name

Branch Name

City

State

Zip Code

Bank Transit/ABA Number

Account Number

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

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Balance Franchise Group, LLC (“Franchisor” or “us”) and _____ (“Franchisee” or “you”) are parties to a franchise agreement dated _____, 202__ (the “Franchise Agreement”) for the operation of a Franchised Business at _____ (the “Franchised Business”).

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

Acknowledged and Agreed:

Franchisee:

By:_____

Printed Name:_____

Title:_____

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT F-1

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

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

Background:

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

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

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

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

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

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

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and

confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

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

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

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

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

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any foodservice business as to which is agreed to mean any foodservice business as to which the sale of healthy Asian-fusion style menu items (including tacos and buildable bowls) and/or bubble tea based drinks comprise twenty percent (20%) or more of its gross revenues.

(e) As used in this Agreement, the term "Post-Term Period" means two (2) years from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

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

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

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

Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

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

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

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

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT F-2

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

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

Background:

A. Balance Franchise Group, LLC (“**Franchisor**”) owns a format and system (the “**System**”) relating to the establishment and operation of “Balance Pan-Asian Grille” businesses in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**Restaurant**”).

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

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

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

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

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

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

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

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

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

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

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

FRANCHISEE

EMPLOYEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

Balance Franchise Group, LLC (“**Franchisor**” or “**us**” or “**we**”) and _____ (“**Franchisee**” or “**you**”) have this ____ day of _____, 202____ entered into a Balance Pan-Asian Grille Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

AGREEMENT

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

a. Such location must be within the following area: _____

(the “**Site Selection Area**”).

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

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

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 18.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 18.2 of the Franchise Agreement.

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

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

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

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

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

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

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

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

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

Balance Franchise Group, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BALANCE FRANCHISE GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

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

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

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

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

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

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

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

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

WITNESS the execution hereof under seal.

Landlord:

Franchisor*

Franchisee:

Date:

Date:

Date:

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

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

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

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

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

Balance Franchise Group, LLC
FRANCHISE AGREEMENT
EXHIBIT I
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EXHIBIT B

Development Agreement with Exhibits



Balance Franchise Group, LLC
215 N Summit Street
Toledo, Ohio 43604

_____, 202__

Re: **Area Development Agreement**

Dear _____:

We are pleased to be entering into this Area Development Agreement (the "**Agreement**") with you today. As used in this Agreement, the terms "**you**", "**your**", and "**Area Developer**" mean _____, and the terms "**we**", "**us**", and "**Franchisor**" mean Balance Franchise Group, LLC.

1. **Development**. This Agreement relates to the terms under which you will develop "Balance Pan-Asian Grille" restaurant businesses that feature, among other things, feature, among other things, a specialty menu of Asian-fusion items (each a "**Restaurant**") within the "**Development Area**" that is specified on the attached Data Sheet (Exhibit A). Each Restaurant will be established under the terms of a separate Franchise Agreement (the "**Franchise Agreement**") for that Restaurant, which will specify, among other things, the approved location of that Restaurant.

2. **Development Schedule**. You agree to establish each of the Restaurants in the Development Area according to the development schedule that is specified on the attached Data Sheet (Exhibit A). That schedule is referred to as the "**Development Schedule**."

3. **Term**. The term of this Agreement starts on the Effective Date listed on the signature page to this Agreement and will end on the last date specified in the Development Schedule (the "**Term**"), unless this Agreement is sooner terminated.

4. **Fees and Credits**.

4.1 **Fees**.

a. In consideration of the development rights granted in this Agreement, you agree to pay us, upon signing this Agreement, a development fee as specified on the attached Data Sheet (Exhibit A) (the "**Development Fee**").

b. If you develop more than the number of Restaurants required under this Agreement in the Development Area, then for each such additional Restaurant, you agree to pay an initial franchise fee in the amount of Thirty Five Thousand Dollars (\$35,000).

c. The Development Fee will be fully earned when we receive it from you and it shall be non-refundable in consideration of the services and items that we provide to you under this Agreement, for our lost opportunities, and other factors.

4.2 Credits. We will credit the Development Fee that you have paid toward the initial franchise fees due under the Franchise Agreement for each Restaurant that you are required to develop under this Agreement (with the understanding that the total of those credits will not exceed the Development Fee that you actually paid to us) so long as you are in compliance with your obligations under this Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates).

4.3 All payments that are due under this Agreement shall be made without deduction or offset, including for any taxes.

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

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

6. Reservation of Rights.

6.1 Except as otherwise specifically provided above in Section 5, we retain all other rights, and therefore we have the sole right (among others), and on any terms and conditions we deem advisable, and without granting you any rights therein, to do any or all of the following (and, in each case, despite their proximity to the Development Area, and despite their actual or threatened impact on sales at any Restaurant):

a. advertise and promote the “Balance Pan-Asian Grille” trademarks (together with other marks that we specify in writing for use by franchisees and others, the “**Proprietary Marks**”) anywhere;

b. fulfill, and license others to fulfill, customer orders by providing and permitting catering and delivery services in the Development Area;

c. establish (and license or franchise others to establish) Restaurants anywhere outside the Development Area;

d. establish (and license or franchise others to establish) businesses that neither operate under the “Balance Pan-Asian Grille” system of operations, as further defined in the Franchise Agreement (the “**System**”), nor use the Proprietary Marks (even if those businesses offer products that are the same as or similar to those offered from Restaurants), no matter where those businesses are located (so long as those businesses are not “Restaurants” operated inside the Development Area);

e. acquire (or be acquired) and then operate any business of any kind, anywhere inside and outside the Development Area (so long as those businesses are not “Restaurants” operated within the Development Area);

- f. establish, and license others to establish, Restaurants at any Non-Traditional Facility (as defined below) inside or outside the Development Area;
- g. sell any business of any kind, including those operating under the System within the Development Area; and
- h. sell and distribute, or license others to sell and distribute, directly or indirectly, any products in ready-to-prepare or bulk packaged form (as compared to single-serving ready-to-consume form) and other items bearing the Proprietary Marks (such as merchandise), from any location or to any purchaser (including, but not limited, the sale of items at wholesale and to purchasers in the Development Area through supermarkets, shops, mail order, and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Restaurant operated inside the Development Area.

The term “**Non-Traditional Facility**” includes, among other things, school provided- or contracted for food services (including college or university dining halls, food courts, etc.), food halls, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals; non-foodservice businesses within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas, stadiums, and centers.

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

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

9. Signing of the Franchise Agreements.

9.1 You must sign a separate Franchise Agreement for each Restaurant. The form of the Franchise Agreement for each Restaurant developed under this Agreement shall be in the form of our then-current Franchise Agreement. You must sign the Franchise Agreement for each Restaurant and submit to us for countersignature not more than thirty (30) days after you sign the lease or purchase property for that Restaurant.

9.2 Each Restaurant shall be located at a site that we have approved, within the Development Area, as provided in Section 10 below.

10. Restaurant Development and Site Approval. For each site that you propose for a Restaurant, you must comply with the site development requirements under the Franchise Agreement, including (if applicable) the Site Selection Addendum to the Franchise Agreement.

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

- 11.1 Section 11 – Confidentiality;
- 11.2 Section 16 – Insurance;
- 11.3 Section 17 – Transfer of Interest (and also see Section 12 below);
- 11.4 Section 18 – Default and Termination (and also see Section 13 below);
- 11.5 Section 19 – Obligations upon Termination or Expiration;
- 11.6 Section 20 – Covenants;
- 11.7 Section 21 – Taxes, Permits, and Indebtedness;
- 11.8 Section 22 – Independent Contractor and Indemnification (and also see Section 15 below);
- 11.9 Section 23 – Force Majeure;
- 11.10 Section 24 – Approvals and Waivers;
- 11.11 Section 25 – Notices;
- 11.12 Section 27 – Severability and Construction;
- 11.13 Section 29 – Acknowledgments; and
- 11.14 Section 28 – *Applicable Law and Dispute Resolution (You specifically acknowledge and agree that the provisions in Section 27 of the Franchise Agreement apply to this Agreement as well. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you agree that Ohio law shall exclusively govern the terms of this Agreement (but not applying Ohio conflict of laws rules), that the parties agree to waive any right trial by jury, that the parties agree to waive the right to seek or collect punitive damages, that the parties must first mediate any dispute before bringing an action in court; that the venue for any action that you file against us will be exclusively in the courts with jurisdiction over Toledo, Ohio, that you waive participation in a common or class action against us, and that all legal actions you bring must be brought within one (1) year from the occurrence of the facts giving rise to such claim or action – all as described in Section 27 of the Franchise Agreement, excluding claims for indemnification). Nothing in this Section 11.14 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Ohio (or any other state) that would not otherwise apply without this Section 11.14.)*

12. Transfers. In addition to the provisions of Section 11.3 above, you understand and agree that we have entered into this Agreement in reliance on your promise and commitment to establish

and operate an agreed-upon number of Restaurants, and that as a result, you agree that it would not be unreasonable for us to withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Agreement (if this Agreement has not at the time of a proposed transfer either expired or terminated).

13. Defaults.

13.1 In addition to the provisions of Section 11.4 above, you understand and agree that you would be in default under this Agreement if you:

a. do not meet your obligations under the Development Schedule (subject to Section 13.3 below) and/or any other agreement between you (and/or your affiliates) and us is terminated; and/or

b. fail to provide us with any information or documents we have the right to request under this Agreement or any other agreement between you (and/or your affiliates) and us (and/or our affiliates). If you are in default under this Agreement, then we will have the right to: (i) terminate this Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law); or (ii) take any lesser action instead of terminating this Agreement, including but not limited to suspending or eliminating your rights to the Development Area.

13.2 A default under this Agreement shall not constitute a default under any Franchise Agreement between the parties.

13.3 Notwithstanding the provisions of Section 13.1(a) above, if you do not satisfy the first two (2) development obligations under the Development Schedule, then: (a) we will offer you the option to enter into our then-current form of mutual termination agreement, under which we will refund you 50% of the uncredited portion of the Development Fee that you paid to us, within ten (10) business days after all of the parties, including all of your principals, have signed the termination agreement, which will include among other things a general release (a "**Termination Agreement**"); and (b) if you (and your Principals) do not enter into a Termination Agreement within fifteen (15) days after we have offered that option to you, we will have the right to terminate this Agreement.

14. Entire Agreement and Amendment. This Agreement, together with the provisions that are incorporated by reference pursuant to Section 11 above, as well as the Exhibits that are attached to this Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter of this Agreement, and supersede all prior agreements, representations, and other communications. The parties agree that: (a) they were not induced by any representations other than the words of this Agreement (including the Exhibits to this Agreement, which in turn include the Franchise Agreement provisions that are incorporated by reference) before deciding whether to sign this Agreement; and (b) they relied only on the words printed in this Agreement (and the Exhibits and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Agreement (however, nothing in this Agreement is meant to disclaim any statement included in our franchise disclosure document). Except for those changes permitted to be made unilaterally by Franchisor under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. Indemnity. In addition to the provisions of Section 11.8 above, you agree to indemnify, defend, and hold harmless us, our owners and affiliates, and our (and our affiliates') officers, directors, members, managers, employees, and agents against any and all claims arising directly or indirectly from, as a result of, or in connection with your conduct and/or operation of the business contemplated under this Agreement, as well as the costs of defending against them (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses).

16. Confirmation that You Read and Understand the Franchise Agreement. You acknowledge that you have read and understand the Franchise Agreement attached to this Agreement as Exhibit D (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Agreement via Section 11 above (including but not limited to the waiver of jury trial, the waiver of punitive damages, the mediation and venue clauses, and the provision waiving participation in a common or class action).

17. Captions. The headings and captions in this Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement.

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed sealed, and delivered this Agreement to one another as of the Effective Date noted below.

Balance Franchise Group, LLC
Franchisor

Area Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

215 N Summit Street
Toledo, Ohio 43604

Telephone: _____

Attn: _____

Attn: _____

E-mail: _____

Exhibits:

- A** – Data Sheet
- B** – Guarantee, Indemnification, and Acknowledgment
- C** – List of Principals in Area Developer
- D** – Form of Franchise Agreement

Exhibit A - Data Sheet

The Development Area under this Agreement shall be:

The present political boundaries of _____ (subject to Section 6 of this Agreement).

Initialed

Franchisor
Area Developer

The Development Fee under this Agreement shall be:

How Development Fee Calculated	Total Development Fee
Seventeen Thousand Five Hundred Dollars (\$17,500) multiplied by the number of Restaurants that are required to be developed under the Development Schedule	

Initialed

Franchisor
Area Developer

The Development Schedule under this Agreement shall be:

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

Initialed

Franchisor
Area Developer

Balance Franchise Group, LLC
 Area Development Agreement
 Exhibit B
Guarantee, Indemnification, and Acknowledgment

In order to induce Balance Franchise Group, LLC (“**Franchisor**”) to sign the Balance Pan-Asian Grille Area Development Agreement between Franchisor and _____ (“**Area Developer**”), dated _____, 202____ (the “**Development Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Area Developer’s obligations (monetary and otherwise) under the Development Agreement as well as any other contract between Area Developer and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

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

- Upon Franchisor’s demand, s/he will immediately make each payment required of Area Developer under the Development Agreement and/or any other contract with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Area Developer for any payment required under the Development Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Area Developer; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; and/or **(d)** give notice of demand for payment by Area Developer.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer. Each of the undersigned persons waive notice of amendment of the Development Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Area Developer, and agree to be bound by any and all such amendments and changes to the Development Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Development Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Development Agreement.
- S/he will be personally bound by all of Area Developer’s covenants, obligations, and promises in the Development Agreement.
- S/he agrees to be personally bound by all of Area Developer’s covenants, obligations, and promises in the Development Agreement, which include, but are not limited to, those found in the following Sections of the Development Agreement: **Section 8** (generally regarding trademarks), **Section 11.1** (generally regarding confidentiality), **Sections 11.3 and 12** (generally regarding Transfers), **Section 11.5** (generally regarding obligations upon

termination or expiration of this Development Agreement), and **Section 11.6** (generally regarding covenants against competition) of the Development Agreement.

- S/he understands that: **(a)** this Guarantee does not grant them any rights under the Development Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Balance Pan-Asian Grille" marks); **(b)** that they have read, in full, and understand, all of the provisions of the Development Agreement that are referred to above in this paragraph (including the provisions of the franchise agreement that are incorporated into this Development Agreement), and that they intend to fully comply with those provisions of the Development Agreement as if they were printed here; and **(c)** that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 11.14** of the Development Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions) that are incorporated by reference there from Section 27 of the attached franchise agreement. Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Ohio, and that in the event of any conflict of law, Ohio law will prevail (without applying Ohio conflict of law rules).

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

(signed in his/her personal capacity)

Printed Name: _____

Date: _____

Home Address: _____

(signed in his/her personal capacity)

Printed Name: _____

Date: _____

Home Address: _____

(signed in his/her personal capacity)

Printed Name: _____

Date: _____

Home Address: _____

Balance Franchise Group, LLC
Area Development Agreement
Exhibit C
List of Principals

Name of Principal	Home Address	Percentage Interest Held in Area Developer

Initials

Franchisee

Franchisor

Exhibit D
Form of Franchise Agreement

EXHIBIT C**List of State Administrators**

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

<p>CALIFORNIA Dep’t of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p>NEW YORK Dep’t of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8222</p>
<p>HAWAII Commissioner of Securities Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 (808) 586-2722</p>	<p>NORTH DAKOTA Securities Dep’t State Capitol – Dep’t 414 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Office of the Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465</p>	<p>RHODE ISLAND Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Div. of Insurance Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563</p>
<p>MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360</p>	<p>VIRGINIA State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main St., 9th Floor Richmond, VA 23219 (804) 371-9051</p>
<p>MICHIGAN Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567</p>	<p>WASHINGTON Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760</p>
<p>MINNESOTA Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600</p>	<p>WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139</p>

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

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

<p>CALIFORNIA Commissioner of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p>NEW YORK Secretary of State One Commerce Plaza, 99 Washington Av., 6th Fl. Albany, NY 12231-0001 (518) 473-2492</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 (808) 586-2722</p>	<p>NORTH DAKOTA Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465</p>	<p>RHODE ISLAND Director of Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563</p>
<p>MARYLAND Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360</p>	<p>VIRGINIA Clerk of the State Corporation Commission 1300 East Main St., 1st Floor Richmond, VA 23219 (804) 371-9733</p>
<p>MICHIGAN Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567</p>	<p>WASHINGTON Director of Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760</p>
<p>MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600</p>	<p>WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139</p>

EXHIBIT E**Form of General Release**

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

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

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

EXHIBIT F Table of Contents to Franchise Brand Standards Manual

I. Introduction to Manual	Expandshare Course 1-7
a. Manual Organization Lesson	1 Lesson / 1 Page
b. Ownership of Manual	1 Lesson / 1 Page
c. Manual Revisions	1 Lesson / 1 Page
d. Submitting Suggestions	1 Lesson / 1 Page
e. Communication and Correspondence	1 Lesson / 1 Page
f. Disclaimer	1 Lesson / 1 Page
g. Statement of Confidentiality	1 Lesson / 1 Page
II. Introduction to Franchise System	Expandshare Course 8-16
a. Company Overview	1 Lesson / 1 Page
b. Core Values and Mission	1 Lesson / 1 Page
c. Our Customers	1 Lesson / 1 Page
d. Looking to the Future	1 Lesson / 1 Page
e. Role / Services of the Franchisor	1 Lesson / 1 Page
f. Responsibilities of the Franchisee	1 Lesson / 1 Page
g. Corporate Visits	1 Lesson / 1 Page
h. Franchise Operations Manager/Field Consultant	1 Lesson / 1 Page
i. Franchise Fees and Reporting Requirements	1 Lesson / 1 Page
III. Pre-opening Procedures	Expandshare Course 16- 40
a. Introduction	1 Lesson / 1 Page
b. Setting Up your Business Entity	1 Lesson / 1 Page
c. Site Selection and Franchisor Acceptance	1 Lesson / 1 Page
d. Store Opening Dates	1 Lesson / 1 Page
e. Forecasted Critical Path	1 Lesson / 1 Page
f. Project Management Check-Ins	1 Lesson / 1 Page
g. Franconnect	1 Lesson / 1 Page
h. Balance Project Manager	1 Lesson / 1 Page
i. Navigating Your Checklist	1 Lesson / 6 Pages
j. LOI and Lease Negotiations	1 Lesson / 1 Page
k. Insurance	1 Lesson / 1 Page
l. Site Survey	1 Lesson / 1 Page
m. Due Diligence Analysis	1 Lesson / 1 Page
n. Architect Selection and Preliminary Layout	1 Lesson / 1 Page
o. Final Construction Drawings and Permitting	1 Lesson / 1 Page
p. Brand Design Guide	1 Lesson / 1 Page
q. Signage	1 Lesson / 1 Page
r. Construction Bid and Award	1 Lesson / 1 Page
s. Contracting Utilities and Services	1 Lesson / 1 Page
t. Equipment and Smallwares Orders	1 Lesson / 1 Page
IV. Personnel	Expandshare Course 41-47

a.	Introduction	1 Lesson / 1 Page
b.	Soft Open Timeline	1 Lesson / 1 Page
c.	Hiring and Onboarding	1 Lesson / 1 Page
d.	New Store Hiring Guidelines	1 Lesson / 1 Page
e.	Schedule Guides	1 Lesson / 1 Page
f.	Training Timeline and Calendar	1 Lesson / 1 Page
g.	Orientation	1 Lesson / 1 Page

V. Marketing and Advertising

Expandshare Course 48-62

a.	Required Marketing Expenditures	1 Lesson / 1 Page
b.	National Marketing Fund	1 Lesson / 1 Page
c.	Local Advertising Requirements	1 Lesson / 1 Page
d.	Grand Opening Fund	1 Lesson / 1 Page
e.	Trademark Guidelines and Brand Standards	1 Lesson / 1 Page
f.	Asset & Resource Library	1 Lesson / 1 Page
g.	Promotions	1 Lesson / 1 Page
h.	Obtaining Marketing Approval	1 Lesson / 1 Page
i.	Public Relations	1 Lesson / 1 Page
j.	Social Media Guidelines	1 Lesson / 1 Page
k.	Opening Marketing	1 Lesson / 1 Page
l.	Ongoing Marketing	1 Lesson / 1 Page
m.	Digital Strategy	1 Lesson / 1 Page
n.	Local Store Marketing	1 Lesson / 1 Page
o.	The Balance Grille App	1 Lesson / 1 Page

VI. Operations & Training

Expandshare Courses 63-205

a.	Brand Advocate	11 Lessons/ 23 Pages
b.	Dragon Runner	5 Lessons/ 2 Pages
c.	Dragon Greeter	5 Lessons/ 10 Pages
d.	Dragon Elite	7 Lessons/ 6 Pages
e.	Bubblista Course	10 Lessons/ 8 Pages
f.	Bubblista Elite	7 Lessons/ 2 Pages
g.	Samurai	22 Lessons/ 20 Pages
h.	Samurai Opener	2 Lessons/ 2 Pages
i.	Samurai Closer	5 Lessons/ 9 Pages
j.	Samurai Elite	6 Lessons/ 6 Pages
k.	Ninja	12 Lessons/ 17 Pages
l.	Ninja Elite	4 Lessons/ 10 Pages
m.	Elite Management Training	4 Lessons/ 8 Pages
n.	Saucier	4 Lessons/ 2 Pages
o.	Expo	10 Lessons/ 6 Pages
p.	Specialist	1 Lesson/ 2 Pages
q.	Operations	1 Lesson/ 3 Pages
r.	Market Man	8 Lesson/ 6 Pages

s. Catering 1 Lesson/ 1 Page

VII. Financials & Accounting

Expandshare Course 206-210

a. Accounting Periods	1 Lesson / 1 Page
b. Net Sales Definition	1 Lesson / 1 Page
c. Income	1 Lesson / 1 Page
d. Cost of Goods Sold	1 Lesson / 1 Page
e. Expenses	1 Lesson / 1 Page

EXHIBIT G-1

Audited Financial Statements

BALANCE FRANCHISE GROUP, LLC
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**BALANCE FRANCHISE GROUP, LLC
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YEAR ENDED DECEMBER 31, 2022**

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members and Management
Balance Franchise Group, LLC
Toledo, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Balance Franchise Group, LLC (a Ohio limited liability company), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Balance Franchise Group, LLC as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Balance Franchise Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Members and Management
Balance Franchise Group, LLC

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 Balance Franchise Group, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Balance Franchise Group, LLC's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Tampa, Florida
May 19, 2023

BALANCE FRANCHISE GROUP, LLC
BALANCE SHEET
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 105,303
Accounts Receivable, Net	29,659
Due from Related Parties	3,514
Total Current Assets	<u>\$ 138,476</u>

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 21,738
Due to Related Parties	64,352
Deferred Franchise Fees, Current	32,560
Total Current Liabilities	<u>118,650</u>

DEFERRED FRANCHISE FEES, NET OF CURRENT

75,490

Total Liabilities

194,140

MEMBERS' DEFICIT

(55,664)

Total Liabilities and Members' Deficit

\$ 138,476

See accompanying Notes to Financial Statements.

BALANCE FRANCHISE GROUP, LLC
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

REVENUES	
Service Revenue and Royalty Income	\$ 53,879
Franchise Fees	31,950
Total Revenues	<u>85,829</u>
OPERATING EXPENSES	
Guaranteed Payments	170,000
Marketing	94,952
Professional Fees	60,882
Travel and Entertainment	44,421
Computer	13,829
Insurance	4,871
Miscellaneous	564
Total Operating Expenses	<u>389,519</u>
LOSS BEFORE OTHER INCOME (EXPENSES)	(303,690)
OTHER INCOME (EXPENSES)	
Other Income	6,931
Other Expense	(34,924)
Total Other Expenses	<u>(27,993)</u>
NET LOSS	<u><u>\$ (331,683)</u></u>

See accompanying Notes to Financial Statements.

**BALANCE FRANCHISE GROUP, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
YEAR ENDED DECEMBER 31, 2022**

MEMBERS' EQUITY - JANUARY 1, 2022	\$	26,019
Members' Contributions		250,000
Net Loss		<u>(331,683)</u>
MEMBERS' DEFICIT - DECEMBER 31, 2022	\$	<u><u>(55,664)</u></u>

See accompanying Notes to Financial Statements.

BALANCE FRANCHISE GROUP, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss	\$ (331,683)
Adjustments to Reconcile Net Loss to	
Net Cash Used by Operating Activities:	
Increase in:	
Accounts Receivable	(33,173)
Increase in:	
Accounts Payable and Accrued Expenses	86,090
Deferred Franchise Fees	108,050
Net Cash Used by Operating	<u>(170,716)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Members' Contributions	<u>250,000</u>
Net Cash Provided by Financing Activities	<u>250,000</u>

NET INCREASE IN CASH

79,284

Cash - Beginning of Year

26,019**CASH - END OF YEAR**\$ 105,303

See accompanying Notes to Financial Statements.

BALANCE FRANCHISE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background and Description of Business

Balance Franchise Group, LLC (the Company), was formed in the state of Ohio in October 2021. The principal purpose of the Company is to offer and sell brick-and-mortar franchise restaurants focused on a fast-casual menu and digital approach.

Basis of Accounting

The accompanying financial statements has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Deferred Revenue

Deferred revenue represents franchise fees received that have not been fully earned and will be recognized in future periods. Deferred revenues are considered contract liabilities. The balance at December 31, 2022 was \$108,050 and \$-0- at December 31, 2021.

Adoption of New Accounting Standards:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new standard had no affect on the financial statements for the Company in 2022.

Revenue Recognition

The Company recognizes revenue in accordance with *Topic 606, Revenue from Contracts with Customers*. The Company generates revenue primarily through franchise fees, royalties, service fees, and advertising fund revenue.

Franchise Fees:

The Company requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years and commences once the location is opened. The Company typically does not provide financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Franchisees have the option to renew the franchise agreement at the end of the initial franchise term. When a franchisee chooses to renew their agreement, a nonrefundable renewal fee is charged to the franchisee similar to the initial franchise fee.

BALANCE FRANCHISE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Franchise Fees (Continued):

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606)—Practical Expedient*. FASB Subtopic 952-606 creates a practical expedient allowing franchisors that are not public business entities to account for certain pre-opening services enumerated in FASB ASC 952-606-25-2 as a single performance obligation.

The Company also made an accounting policy election to recognize certain pre-opening services as a single performance obligation. The remainder of the initial franchise fee is amortized over the life of the franchise agreement, as such over time.

Royalties:

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 6% of net sales. Royalties are calculated as a percentage of monthly sales. The royalties are related entirely to the Company's performance obligation under the franchise agreement and are recognized as monthly franchisee store level sales occur. Royalties are collected monthly and are recognized as of a point in time and are included in Service Revenue and Royalty Income in the accompanying Statement of Operations.

Tech Support Fee:

The Company collects a service fee for technical support, as stipulated in the franchise agreement, currently equal to 1% of net sales. Service fees are calculated as a percentage of monthly sales. The service fees are related entirely to the Company's performance obligation under the franchise agreement and are recognized as monthly franchisee store level sales occur. Service fees are collected monthly and are recognized as of a point in time and are included in Service Revenue and Royalty Income in the accompanying Statement of Operations.

Accounts Receivable

Trade accounts are periodically evaluated for collectability based on past credit history and current financial condition. The Company uses the allowance method of accounting for bad debts for financial reporting purposes. Uncollectible amounts are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all accounts receivable at December 31, 2022 to be collectible. Accordingly, the allowance for bad debt is reported at zero. As of January 1, 2022, the balance of accounts receivable was \$-0-.

BALANCE FRANCHISE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred, which was \$13,995 for the year ended December 31, 2022 and is included in Marketing in the accompanying Statement of Operations. As part of the franchise agreement, the Company collects a fee to support advertising for the purposes of increasing brand awareness. During the year ended December 31, 2022, the Company collected \$35,482, which is included in Service Revenue and Royalty Income in the accompanying Statement of Operations. The Company incurred \$80,957 in advertising costs attributable to the National Marketing Fund in 2022 which is included in Marketing in the accompanying Statement of Operations.

Income Taxes

The Company filed an election with the Internal Revenue Service to be treated as a Limited Liability Corporation (LLC) for all its taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the member.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Company has reviewed and evaluated the relevant technical merits of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company.

The Company's 2021 tax return is open for examination. The Company evaluates its tax positions for uncertainty on an annual basis and believes it has no uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 RELATED PARTY TRANSACTIONS

At December 31, 2022, the Company has recorded a related party payable of \$64,352 related to accounting and advisory services provided by a parent company. The Company pays \$10,000 per month for services provided.

Guaranteed Payments to Member

Guaranteed payments to member that are intended as compensation for services rendered are accounted for as the Company expenses rather than as allocation of the Company net income. The Company paid \$170,000 for the year ended December 31, 2022.

**BALANCE FRANCHISE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 3 FRANCHISE SALES AND AGREEMENTS

As of December 31, 2022, the Company has one opened franchised location and a signed agreement to open one store in each of the next five years. In addition, there are four affiliate owned locations.

NOTE 4 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2022 (the financial statement date) through May 19, 2023, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

EXHIBIT G-2

Unaudited Financial Statements

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Balance Franchise Group, LLC

Profit & Loss Balance Grille - 2023 Registration State FDD (191)

January through March 2023

	Jan 23	Feb 23	Mar 23	TOTAL
Ordinary Income/Expense				
Income				
National Marketing Fund	5,694.12	5,617.10	6,144.48	17,455.70
Royalty Income	2,278.87	2,036.21	2,440.14	6,755.22
Tech Support Income	379.81	339.36	406.69	1,125.86
Total Income	8,352.80	7,992.67	8,991.31	25,336.78
Gross Profit	8,352.80	7,992.67	8,991.31	25,336.78
Expense				
Bank Service Charges	28.76	28.76	29.08	86.60
Business Meals & Entertainment	0.00	0.00	250.16	250.16
Business Travel	1,033.48	1,006.41	1,115.81	3,155.70
Computer and Internet Expenses	0.00	0.00	1,321.32	1,321.32
Franchise Advertising / Promo.				
Ad Spend				
LinkedIn Boosting Ad Spend	0.00	597.10	588.03	1,185.13
Sponsored Blogs	0.00	0.00	1,600.00	1,600.00
Total Ad Spend	0.00	597.10	2,188.03	2,785.13
External Email Marketing	0.00	0.00	3,000.00	3,000.00
Internal Direct Mail Campaigns				
Multi Unit Operator List Purch.	3,914.75	0.00	0.00	3,914.75
Total Internal Direct Mail Campaigns	3,914.75	0.00	0.00	3,914.75
Photo / Video Shoot				
Video Updates	300.00	0.00	0.00	300.00
Total Photo / Video Shoot	300.00	0.00	0.00	300.00
Public Relations				
Monthly Retainer & Blogging	5,040.00	5,540.00	5,540.00	16,120.00
Public Relations - Other	0.00	1,230.00	1,030.00	2,260.00
Total Public Relations	5,040.00	6,770.00	6,570.00	18,380.00
Recruitment Collateral Needs				
Direct Mail Envelope Design	0.00	487.50	0.00	487.50
Email Design	6,637.50	550.00	1,825.00	9,012.50
Franchise Website	11,000.00	362.50	1,400.00	12,762.50
Sales Sheet Update	0.00	550.00	2,962.50	3,512.50
Total Recruitment Collateral Needs	17,637.50	1,950.00	6,187.50	25,775.00
Total Franchise Advertising / Promo.	26,892.25	9,317.10	17,945.53	54,154.88
Insurance Expense	11,342.00	0.00	0.00	11,342.00
National Marketing Expense				
Catering Website	387.50	412.50	0.00	800.00
Content Production	0.00	4,895.83	3,545.83	8,441.66
Customer Support	5,312.50	549.69	0.00	5,862.19
Dallas	0.00	0.00	250.00	250.00
Denver	862.50	137.50	250.00	1,250.00
Digital Menu Screens	0.00	4,125.00	0.00	4,125.00
Help Project	0.00	0.00	112.50	112.50
Social Media	2,050.00	1,700.00	3,350.00	7,100.00

Balance Franchise Group, LLC**Profit & Loss** Balance Grille - 2023 Registration State FDD (192)

January through March 2023

	Jan 23	Feb 23	Mar 23	TOTAL
Takeout Bag	887.50	0.00	0.00	887.50
Website	275.00	225.00	75.00	575.00
National Marketing Expense - Other	336.50	49.00	49.00	434.50
Total National Marketing Expense	10,111.50	12,094.52	7,632.33	29,838.35
Professional Fees				
Accounting				
Audit	0.00	0.00	4,200.00	4,200.00
Total Accounting	0.00	0.00	4,200.00	4,200.00
Architecture & Design	0.00	125.00	0.00	125.00
Development Support	10,000.00	10,000.00	10,000.00	30,000.00
Legal Services	0.00	0.00	-861.25	-861.25
Professional Fees - Other	100.00	1,415.00	0.00	1,515.00
Total Professional Fees	10,100.00	11,540.00	13,338.75	34,978.75
Tech Support Expense	1,211.90	1,011.90	1,040.64	3,264.44
Total Expense	60,719.89	34,998.69	42,673.62	138,392.20
Net Ordinary Income	-52,367.09	-27,006.02	-33,682.31	-113,055.42
Other Income/Expense				
Other Expense				
Shared Expenses - Syndicate B	939.44	1,071.35	631.70	2,642.49
Total Other Expense	939.44	1,071.35	631.70	2,642.49
Net Other Income	-939.44	-1,071.35	-631.70	-2,642.49
Net Income	-53,306.53	-28,077.37	-34,314.01	-115,697.91

Balance Franchise Group, LLC**Balance Sheet** Balance Grille - 2023 Registration State FDD (193)

As of March 31, 2023

Mar 31, 23**ASSETS****Current Assets****Checking/Savings**

Genoa Bank - 8601 35,508.06

Marketing Account - 8604 1,689.26**Total Checking/Savings** 37,197.32**Accounts Receivable** 6,257.50**Other Current Assets****Receivable - Related Projects**Freedom Street Project 19,212.80**Total Receivable - Related Projects** 19,212.80**Total Other Current Assets** 19,212.80**Total Current Assets** 62,667.62**Other Assets****Accumulated Amortization** -5,282.80**Organization Cost** 21,968.00**Total Other Assets** 16,685.20**TOTAL ASSETS** 79,352.82**LIABILITIES & EQUITY****Liabilities****Current Liabilities****Accounts Payable** 123,698.51**Credit Cards** 2,280.39**Other Current Liabilities****Franchise Fees Collected**

Amortized Franchise Fees 3,050.00

Franchise Agreement Fees 35,000.00

Franchise Development Fees 70,000.00**Total Franchise Fees Collected** 108,050.00**Total Other Current Liabilities** 108,050.00**Total Current Liabilities** 234,028.90**Total Liabilities** 234,028.90**Equity****Member Contribution** 300,000.00**Retained Earnings** -338,978.17**Net Income** -115,697.91**Total Equity** -154,676.08**TOTAL LIABILITIES & EQUITY** 79,352.82

EXHIBIT H

State-Specific Addenda

**State-Specific Disclosures
and
State-Specific Amendments to Franchise Agreement**

EXHIBIT H-1**Michigan Disclosure**

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

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 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 FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
 - (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
 - (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
 - (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

- (H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

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

* * * *

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

* * * *

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

*** * * ***

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

**DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE
670 G. MENNEN WILLIAMS BUILDING
LANSING, MICHIGAN 48913**

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

EXHIBIT I**List of Current and Former Franchisees**

Current franchisees as of our fiscal year ended Dec. 31, 2022:

Franchisees Open

Franchisee	Street Address	City	State	Zip	Phone
Freedom Street BG Arvada, LLC	16992 W 85 th Place	Arvada	Colorado	80007	419-349-7468

Franchisees Signed But Not Yet Open

Franchisee	Street Address	City	State	Zip	Phone
HRH Operations 1, LLC	5421 Glenscape Circle	Plano	Texas	75094	850-960-8080

Former franchisees as of our fiscal year ended Dec. 31, 2022 (and those with whom we have not communicated during the ten weeks before the issuance of this disclosure document):

None.

EXHIBIT J **List of Company-Owned Restaurants**

Current company-owned Restaurants as of our fiscal year ended Dec. 31, 2022:

Restaurant Name	Street Address	City	State	Zip Code	Phone Number
Balance Grille Central	5860 Central Ave	Toledo	Ohio	43615	419-578-7777
Balance Grille Perrysburg	26520 North Dixie Highway	Perrysburg	Ohio	43551	419-874-7777
Balance Grille Toledo	215 North Summit Street	Toledo	Ohio	43604	419-243-2222
Balance Grille Downtown Cleveland	515 Euclid Ave	Cleveland	Ohio	44144	216-523-1111

EXHIBIT K**State Effective Dates****STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
Illinois	<i>Pending</i>
Indiana	<i>Pending</i>
Michigan	<i>Pending</i>
Wisconsin	<i>Pending</i>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L

Item 23 Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Balance Franchise Group LLC ("**BFG**") offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If BFG does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to your state authority listed on Exhibit C.

The franchisor is Balance Franchise Group LLC, 215 North Summit Street, Toledo, Ohio 43604 (419-893-9999).

The issuance date of this Franchise Disclosure Document is May 19, 2023.

The franchise seller is Cameron Cummins at Balance Franchise Group LLC, 215 North Summit Street, Toledo, Ohio 43604 (419-893-9999). Any additional individual franchise sellers involved in offering the franchise are: _____.

BFG authorizes the respective agents identified on Exhibit D to received service of process for it in the particular state.

I received a disclosure document dated May 19, 2023 that included the following exhibits:

- | | | | |
|---|---------------------------------------|---|--|
| A | Franchise Agreement with Exhibits | H | State-Specific Addenda |
| B | Development Agreement with Exhibits | I | List of Current and Former Franchisees |
| C | List of State Administrators | J | List of Affiliate-Owned Restaurants |
| D | List of Agents for Service of Process | K | State Effective Dates |
| E | Form of General Release | L | Item 23 Receipts |
| F | Table of Contents to Manual | | |
| G | Financial Statements | | |

Date Received

Prospective Franchisee

Name (Please print)

Address

Please keep this copy of the receipt with your FDD

EXHIBIT L**Item 23 Receipt**

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F	Table of Contents to Manual		
G	Financial Statements		

Date Received

Prospective Franchisee

Name (Please print)

Address

Please sign, date, and return this copy of the receipt to BFG