

## FRANCHISE DISCLOSURE DOCUMENT

PURALIMA Franchising LLC  
a Minnesota limited liability company  
746 Mill Street E  
Wayzata, MN 55391  
Phone: 952-855-8400  
franchise@puralima.com  
www.puralima.com



PURALIMA Cantina™ is a system of upscale, fast-casual restaurants featuring exceptional, healthy Latin-themed food and related food products that are made-to-order with fresh, high-quality ingredients and assembled in front of our guests behind a service counter.

The total investment necessary to begin operation of a PURALIMA Cantina™ franchise is \$950,328 to \$1,518,338. This includes \$64,500 that must be paid to the franchisor or an affiliate.

We may also offer you the right to develop three or more restaurants within a specified area during a specified time period. You would then sign an “Area Development Agreement” and pay a development fee equal to \$54,900 multiplied by the number of restaurants you agree to develop. If you pay a development fee, you will not pay an initial franchise fee for each restaurant. Your estimated initial investment will vary based on the number of restaurant franchises to be developed.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact us at franchise@puralima.com.

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

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

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

Issuance Date: May 13, 2024

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 F.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only PURALIMA Cantina business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a PURALIMA Cantina franchisee?</b>	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement and Area Development Agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. Out of state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the franchisor in Minnesota than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement and Area Development Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
4. **Purchase of Inventory and Supplies.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from us, our affiliates, or from suppliers that we designate at prices that we or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
5. **Short Operating History.** This franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.
6. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(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.

\* \* \* \*

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 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.**

\* \* \* \*

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU, 2407 N. GRAND RIVER AVE., LANSING, MICHIGAN 48906.

\* \* \* \*

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:  
STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL  
G. MENNEN WILLIAMS BUILDING  
525 W. OTTAWA STREET  
LANSING, MICHIGAN 48909  
TELEPHONE NUMBER: (517) 335-7622

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**Exhibits**

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| A. List of State Administrators and Agents for Service of Process        | E. Operations Manual Table of Contents               |
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| C. Area Development Agreement (with Exhibits and state-specific addenda) | G. Financial Statements of PURALIMA Franchising LLC  |
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APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT H.



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

To simplify the language in this disclosure document, “we,” “the franchisor,” or “us” and their derivatives refer to PURALIMA Franchising LLC, the franchisor. “You” or “the franchisee” means the person or entity that buys a franchise from us. If the franchisee is a corporation, partnership, limited liability company, or other entity, “you” or “franchisee” does not include the franchisee’s owners unless otherwise stated. There are certain provisions of our Franchise Agreement that will apply to your owners, however, and those provisions will be noted in this disclosure document.

We are a Minnesota limited liability company organized (under our previous name of Paco & Lime Franchising LLC) on September 20, 2021, for the purpose of engaging in the sale of franchises of PURALIMA Cantina™ restaurants. Our principal business address is 746 Mill St E, Wayzata, MN 55391. We conduct business under the names PURALIMA™ and PURALIMA Cantina™ and the trademarks described in Item 13 and under no other names. To simplify the language in this disclosure document, we use “‘PURALIMA Cantina’ restaurants” to refer to the franchise you will operate, but our restaurants also use only “PURALIMA” in their branding. Your franchise may operate under one or both of these names. Our agents for service of process are disclosed in Exhibit A. We have been offering franchises described since February 3, 2022, although prior to September 2023, when we began offering franchises under the PURALIMA Cantina and PURALIMA brands, the franchises we offered were under a different name, Paco & Lime, which we are no longer using. We have never offered franchises in any other line of business.

**Our Parent, Predecessors, and Affiliates**

We have no predecessor. We are a wholly owned subsidiary of our corporate parent, PURALIMA LLC, which we refer to as our “Parent.” Our Parent is a Minnesota limited liability company organized (under the previous name of Paco & Lime LLC) on May 20, 2021, with a principal place of business at 746 Mill Street E, Wayzata, MN 55391. Our Parent, in turn, is a wholly owned subsidiary of Steele Brands Holdco LLC, a Delaware limited liability company organized on September 25, 2023, with the same principal place of business as our Parent.

Although we have never owned or operated a PURALIMA Cantina™ restaurant, our Parent owns and operates a PURALIMA Cantina™ restaurant through a wholly owned subsidiary. Our affiliate 528 Washington Ave N LLC, a Minnesota limited liability company organized on April 14, 2022, has operated the flagship PURALIMA Cantina™ restaurant, located at 548 N Washington Ave, Suite 103, Minneapolis, Minnesota, since it opened in July 2023.

Our affiliate, Steele Brands Management LLC (“SBM”) was formed in April 2021. Pursuant to an intercompany services agreement, SBM provides certain services to our Parent, including the provision of employees. Correspondingly, pursuant to an intercompany services agreement, our Parent provides certain services to us, our affiliates, and each of its other subsidiaries, including accounting and payroll, human resources, management, technology, and other services typical in parent-subsidiary relationships. SBM’s principal business address is the same as ours.

We and our affiliates may provide additional products and services to you and other franchisees.

Our affiliate, Crisp & Green Franchising LLC (“C&G”), a Minnesota limited liability company organized on February 22, 2018, has offered for sale franchised restaurants featuring a selection of signature and seasonal salads, grain bowls, smoothies, and other healthy items under the name “Crisp & Green”® (“Crisp & Green Locations”) since April 27, 2018. C&G’s principal business address is the same as ours. C&G’s parent is Crisp & Green LLC, a Minnesota limited liability company organized on April 26, 2016,

with a principal business address that is the same as ours. As of the date of this disclosure document, Crisp & Green LLC, through three wholly owned subsidiaries, operates three corporate-owned Crisp & Green Locations: One in the Twin Cities, Minnesota metropolitan area and two in the Orlando, Florida metropolitan area. As of the date of this disclosure document, C&G has sold 203 franchises, 45 of which were open and operating under franchise agreements with C&G.

Our affiliate, Stalk & Spade Franchising LLC (“Stalk & Spade”), a Minnesota limited liability company organized on February 25, 2021, formerly offered for sale, from 2021 to 2023, franchised restaurants featuring plant-based food and related food products under the name “Stalk & Spade”® (“Stalk and & Spade Locations”). Stalk & Spade, which does not currently have any business activities, has a principal business address of 746 Mill Street E, Wayzata, MN 55391. Stalk & Spade sold nine franchises, although no franchisee-owned Stalk & Spade Locations opened and none are planned to open. Through wholly owned subsidiaries, Stalk & Spade’s parent company previously operated three corporate-owned Stalk & Spade Locations, which closed in November 2023.

### **Prior Experience**

The first PURALIMA Cantina™ operated by our affiliate opened in July 2023. We started to sell franchises in February 2022, although prior to September 2023, the franchises we offered were under a different name, Paco & Lime, which we are no longer using. We anticipate that our affiliate will continue to operate a PURALIMA Cantina™ restaurant, and that our Parent, through affiliates, may develop and operate additional PURALIMA Cantina™ restaurants in the future. Other than as described above, neither we, nor our Parent or any affiliates, has ever previously offered franchises for sale in any line of business. We have never owned and operated any PURALIMA Cantina™ restaurants, and our sole business activity is to sell franchises for the operation of PURALIMA Cantina™ restaurants.

### **The Franchise Offered**

We have developed a proprietary business format and system (the “System”) for operating the Restaurants, which are upscale, fast-casual restaurants featuring exceptional, healthy Latin-themed food and related food products that are made-to-order with fresh, high-quality ingredients and assembled in front of our guests behind a service counter. Our System includes a distinct restaurant design and layout, décor, color scheme, graphics, fixtures and furnishings, operating and customer service standards and procedures, advertising and marketing specifications and requirements, the use of required suppliers of ingredients, recipes and food preparation techniques, compliance with strict food storage and preparation standards, the service of a required menu, and other standards, specifications, techniques, and procedures that we designate (collectively, the “Standards”). Restaurants operating under the System are identified by the trade names “PURALIMA” and/or “PURALIMA Cantina” and other trademarks, service marks, and trade identifiers that we designate (the “Marks”). We may from time to time add or delete products and/or services and change, improve, add to, and further develop the specifications, standards, procedures, methods of operation and other elements of our System, and you will be expected to follow suit.

PURALIMA Cantina™ restaurants are generally located in trendy, upscale urban or suburban developments or neighborhoods, and feature approximately 2,350 to 3,000 square feet of floor space. We refer to PURALIMA Cantina™ restaurants as “Restaurants,” we refer to Restaurants operated by our affiliates as “Corporate Restaurants” and we refer to Restaurants operated by our franchisees as “franchised Restaurants.” As used in this disclosure document, “Franchised Restaurant” means your franchised Restaurant that you will operate pursuant to the Franchise Agreement.

We grant qualified candidates the right to operate one or more Restaurants according to our Franchise Agreement and our Standards. The form of our Franchise Agreement is attached to this

disclosure document as Exhibit B. The Standards will be communicated to you through our confidential operations manual (the “Operations Manual”).

We offer qualified candidates the right to develop multiple Franchised Restaurants within a specific area during a specific time under the terms of an Area Development Agreement. You must agree to open a minimum of three Franchised Restaurants under an Area Development Agreement. The Area Development Agreement is attached as Exhibit C. If you sign an Area Development Agreement, you will sign a separate then-current form of the Franchise Agreement for each Franchised Restaurant you develop under your Area Development Agreement, which may differ from the current Franchise Agreement attached to this disclosure document. You and we will agree on a timeline for opening the Franchised Restaurants, which will be set forth in the Area Development Agreement. Under the timeline, you will be required to open your first Franchised Restaurant within nine months after execution of the Franchise Agreements, and then you will typically be required to open each subsequent Franchised Restaurant every nine months after that until you have met your total Franchised Restaurant openings commitment.

During the development period, we will neither develop nor license anyone else the right to develop a Restaurant physically located in the designated area noted on your Area Development Agreement, subject to our reserved rights set forth in Item 12 in this disclosure document.

### **Market and Competition**

Your Franchised Restaurant will provide products and services to the general public on a year-round basis. You will compete for customers with other restaurant concepts, particularly restaurants offering healthy food, but also including other fast-casual restaurants as well as fast-food, quick-service, and traditional restaurants, some of which may be a part of national or regional chains or franchise systems. You may also compete with Crisp & Green Locations operated by, or franchised by, our affiliates. You will also compete with grocery stores and convenience stores offering healthy foods and snacks. The market for the products and services to be sold by the Franchised Restaurant is generally well developed and growing as a result of increasing focus on health and well-being by the general public in recent years. We may establish other Restaurants in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell products in your area. Before selecting a site for your Franchised Restaurant, you should carefully review the existing market for the products and services to be offered by your Franchised Restaurant and for existing competitors. You should also be aware that new competitors may enter the market at any time, even in areas that already appear to be well developed.

The ability of each Franchised Restaurant to compete depends on its geographic location, marketing efforts, employee training, customer service, overhead costs, changing local market and economic conditions, and many other factors both within and outside your or our control. Prior business ownership and management experience is vital for new franchisees, and prior restaurant experience is highly desirable. Your people management skills, business acumen, and financial management strength, as well as your passion for the Franchised Restaurant, will all affect whether you succeed as a franchisee.

### **Industry Regulations**

The restaurant industry is heavily regulated. A wide variety of Federal, state and local laws, rules and regulations have been enacted that may impact the operation of your Franchised Restaurant, and may include those which: (a) establish a variety of standards, specifications, and requirements, including zoning and permitting matters, for the location, construction, design, maintenance, and operation of the Franchised Restaurant’s premises; (b) set standards pertaining to employee health and safety; (c) regulate matters affecting the health, safety, and welfare of your guests (such as regulations relating to health and sanitation requirements; access by persons with disabilities; employee practices concerning the storage, handling,

cooking, and preparation of food; restrictions on smoking; the availability of and requirements for public accommodations; and fire safety and general emergency preparedness); (d) impose requirements for food labeling and identification; (e) regulate marketing and promotional activities; and (f) set minimum standards for wages, benefits, or working conditions that must be afforded to employees. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations. Since you may be selling beer and wine at your Franchised Restaurant, you may be required to obtain a liquor license or similar license under state and local law. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell beer and wine, the restrictions placed on the manner in these substances may be sold, and potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale and consumption of these substances. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Franchised Restaurant and you should consider both their effect and costs of compliance.

Many of the laws, rules and regulations that apply to businesses generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to restaurants and will apply to your Franchised Restaurant. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern food preparation and service and restaurant sanitary conditions. The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particulate matters, including caps on emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality. Your business is subject to state and federal regulations that allow the government to restrict travel and/or require businesses to close during state or national emergencies.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. The NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While the NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's Nutritional Labeling Guide for Restaurants and Other Retail Establishments provides answers to commonly asked questions regarding the application of the NLEA.

You will be responsible for ensuring compliance with all laws and regulations that apply to your Franchised Restaurant, including employment, workers' compensation, insurance, corporate, tax, public health, and similar laws and regulations. These laws and regulations are subject to variation by geographic area and locality, are subject to change over time, and may affect the operation of your Franchised Restaurant. You should conduct your own independent research and consult with your own attorney regarding these laws and regulations in the locality in which you desire to open your Franchised Restaurant before legally committing to purchase a PURALIMA Cantina™ franchise.

Each of your managers and other employees we designate must be ServSafe certified or must have completed a similar safety training and certificate program approved by us. You must provide us proof of this certification upon our request.

## **ITEM 2 BUSINESS EXPERIENCE**

**Steele Smiley, Executive Chairman of the Board & Founder.** Steele Smiley developed the PURALIMA Cantina™ concept and has been our Executive Chairman of the Board since November 2022. He has also served as Executive Chairman of the Board for our Parent since May 2021, for Crisp & Green LLC since March 2017, and for Stalk & Spade LLC from December 2020 to November 2023. Mr. Smiley

has also been the Executive Chairman of the Board for C&G and SBM since November 2022, and for Stalk & Spade from November 2022 to November 2023. Previously, Mr. Smiley served as the Chief Executive Officer for Crisp & Green LLC from March 2017 to November 2022, for C&G from February 2018 to November 2022, for Stalk & Spade LLC from December 2020 to November 2022, for Stalk & Spade from February 2021 to November 2022, for us and our Parent from September 2021 to November 2022, and for SMB from January 2022 to November 2022. From September 2013 until he became employed as the Chief Executive Officer of Crisp & Green LLC in 2017, Mr. Smiley held the roles of Chief Development Officer and Chief Marketing Officer with Lift Brands, Inc., one of the nation's largest international wellness franchise organizations. Mr. Smiley serves in his present capacities in the Minneapolis, Minnesota area.

**Kelly C. Baltes, Chief Executive Officer.** Mr. Baltes has been the Chief Executive Officer for us and our Parent since October 2022. Mr. Baltes has also served as the Chief Executive Officer for C&G, Crisp & Green LLC, and SBM since November 2022, and for Stalk & Spade and Stalk & Spade LLC from October 2022 to November 2023. From July 2018 to June 2020, Mr. Baltes served as President of the Maggiano's Little Italy brand for Brinker International, Inc. in Dallas, Texas. Mr. Baltes was between positions from July 2020 to October 2022. He serves in his present capacities in the Minneapolis, Minnesota area.

**Meredith Bauer, Chief Legal Officer and Chief Business Officer.** Ms. Bauer has been the Chief Legal Officer and Chief Business Officer for us and our Parent since our inception in September 2021. Ms. Bauer has also served as the Chief Legal Officer and Chief Business Officer for C&G and Crisp & Green LLC since April 2021, for SBM since January 2022, and for Stalk & Spade and Stalk & Spade LLC from April 2021 to November 2023. From July 2017 through April 2021, Ms. Bauer was an Attorney with EntrePartner Law Firm, PLLC, a law firm in Minneapolis, Minnesota. Before that time, Ms. Bauer served as the General Counsel of Self Esteem Brands, LLC, the parent company to the Anytime Fitness and Waxing the City brands in Woodbury, Minnesota, from October 2012 to June 2017. Ms. Bauer serves in her present capacities in the Minneapolis, Minnesota area.

**Haley Gates, Chief People Officer.** Ms. Gates is our Chief People Officer, and has been since our inception in September 2021. She has also served as Chief People Officer for C&G and Crisp & Green LLC since July 2021, for SBM since January 2022, and for Stalk & Spade and Stalk & Spade LLC from July 2021 to November 2023. Prior to that, Ms. Gates served as the Executive Director of Stalk & Spade from its inception in February 2021 to July 2021. Prior to that, she was Director of Talent for C&G from June 2018 to February 2021, focusing on company culture and recruiting from the Executive level to part-time operational roles. Ms. Gates serves in her present capacities in the Minneapolis, Minnesota area.

**Bill Fairbanks, Chief Culinary Officer.** Mr. Fairbanks has served as the Chief Culinary Officer for us and our Parent since September 2021, for C&G and Crisp & Green LLC since September 2021, for SBM since January 2022, and for Stalk & Spade and Stalk & Spade LLC from September 2021 to November 2023. Prior to that he served as Executive Chef for C&G from February 2018 to September 2021 and for Crisp & Green LLC from April 2016 to September 2021, both in Wayzata, Minnesota. Mr. Fairbanks has also served as the President of Barrio, a restaurant chain in the Twin Cities, Minnesota, since April 2018. Mr. Fairbanks serves in his present capacities in the Minneapolis, Minnesota area.

**Travis Moe, Chief Restaurant Officer.** Mr. Moe has been the Chief Restaurant Officer for us and our Parent since April 2022. He also has served as the Chief Restaurant Officer for C&G, Crisp & Green LLC, and SBM since April 2022, and for Stalk & Spade and Stalk & Spade LLC from April 2022 to November 2023. Prior to that, he was C&G's Director of Franchise Support from July 2021 to April 2022 and C&G's Director Operations from November 2018 to July 2021. Mr. Moe previously worked for Chipotle from 2000 through 2017. During his tenure with Chipotle, he served in many roles including General Manager, Regional Training Consultant, Team Leader/Area Manager, and Team Director. Mr.

Moe has over 20 years of experience in fast casual restaurants. Mr. Moe serves in his present capacities in the Minneapolis, Minnesota area.

**Ben Miller, Chief Marketing Officer.** Mr. Miller has been the Chief Marketing Officer for us and our Parent since October 2023. He also has served as the Chief Marketing Officer for C&G, Crisp & Green LLC, and SBM since October 2023. Mr. Miller previously worked for CKE Restaurants Holdings, Inc. in Franklin, Tennessee as Vice President of Marketing from March 2022 to February 2023, as Senior Director of Marketing from December 2018 to February 2022, and as Director of Marketing from September 2017 to November 2018. Mr. Miller serves in his present capacities in the Nashville, Tennessee area.

**Jonathan Grand, Senior Vice President of Development and Technology.** Mr. Grand has been the Senior Vice President of Development and Technology for us and our parent since May 2024, and prior to that was Vice President of Development for us and our Parent from October 2023 to May 2024. He also has served C&G, Crisp and Green LLC, and SBM as the Senior Vice President of Development and Technology since May 2024, and as Vice President of Development from October 2023 to May 2024. Mr. Grand previously worked for Whataburger, Inc. in San Antonio, Texas as Senior Director – Franchise Business from August 2017 to October 2023. Mr. Grand serves in his present capacities in the Minneapolis, Minnesota area.

**Chelsea Nadeau, Business Coordinator and Paralegal.** Ms. Nadeau has been the Business Coordinator and Paralegal for us and our Parent since August 2023. She also has served in the same role for C&G, Crisp and Green LLC, and SBM since August 2023. Ms. Nadeau previously served as Director of Compliance and Legal Affairs for Frenchies, LLC, based in Littleton, Colorado, from January 2019 to August 2023, and as Director of Legal Affairs for Self Esteem Brands in Woodbury, Minnesota, from January 2017 to December 2018. Ms. Nadeau serves in her present capacities in the Minneapolis, Minnesota area.

### **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4 BANKRUPTCY**

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

### **ITEM 5 INITIAL FEES**

#### **Initial Franchise Fee**

You must pay us an initial franchise fee of \$64,500 when you sign a Franchise Agreement.

The initial franchise fee is payable in full when the Franchise Agreement is signed and is considered fully earned and nonrefundable upon payment. Except as otherwise described in this Item 5, the initial franchise fee is the same for all franchisees. However, we reserve the right to discount the initial franchise fee in circumstances in which we feel such discounting is appropriate, in our sole discretion. In our last fiscal year, we uniformly collected initial franchise fees of \$54,900 per Restaurant under our former Market

Accelerator Program, which was in effect until the date of this disclosure document and under which we offered reduced initial franchise fees for franchisees acquiring rights to multiple Restaurants.

### Area Development Fee

We offer qualified candidates Area Development Agreements for you to develop multiple (three or more) Franchised Restaurants. The development fees you pay when you sign an Area Development Agreement will vary depending on the number of Franchised Restaurants you commit to open. If you are approved and choose to enter into an Area Development Agreement, you must pay a development fee (“Development Fee”) equal to \$54,900 multiplied by the number of Franchised Restaurants you agree to open under our form of Area Development Agreement. You will not pay an additional initial franchise fee for any of the Franchised Restaurants you are required to develop under the Area Development Agreement. All portions of the Development Fee are payable in full when you sign the Area Development Agreement and are considered fully earned and nonrefundable upon payment. We intend for the Development Fee to be uniform for all franchisees. As we began offering Area Development Agreements as of the date of this disclosure document, we did not collect any Development Fees in our last fiscal year.

### ITEM 6 OTHER FEES

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty	7% of Gross Sales, subject to the Minimum Royalty Fee (Note 2)	Due monthly by the close of business on the first business day of each calendar month (the “Payment Day”)	Based on Gross Sales during the previous month. Royalty fees are payable by automatic debit, and funds must be made available in your account for withdrawal. See Notes 1, 2.
National Marketing Fee	Currently 2% of Gross Sales, although we have the right to increase up to 3% of Gross Sales upon notice to you	Due monthly on the Payment Day	Based on Gross Sales during the previous month. Payable by automatic debit, and funds must be made available in your account for withdrawal. Note 2.
Local Marketing Requirement	You must spend 4.5% of Gross Sales on local marketing, however you have the ability to reduce this requirement by meeting certain standards	Must be spent by you each quarter	Payable directly to your local marketing vendors. Any marketing that you propose must first be approved by us. If you have an approved marketing representative on your team and you are in compliance with our minimum marketing requirements and with your agreements with us, we do not enforce this requirement as of the date of this disclosure document. If applicable to you, we have the right to require you to provide proof that these funds were spent and require you to pay any shortfall to us. If an advertising cooperative is in place in your region, your

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			expenditures towards that cooperative will count towards this requirement.
Advertising Cooperative Fees	Not applicable unless there is an advertising cooperative in place in your region. If applicable, may not exceed 4.5% of Gross Sales and expenditures will be credited towards the Local Advertising requirement above.	Same as Royalty or as designated by your cooperative	These will be paid to third party service providers and/or your cooperative. Note 2.
Additional Initial Training	\$500 per day/per person	Two weeks prior to beginning of training	We provide Initial Training for up to four persons without charge. We may require you to pay this fee for additional trainees or replacement managers during the operation of your Franchised Restaurant.
Additional Opening Training or Special Assistance	\$500 per day/per person	Thirty days after billing	We provide seven days of opening assistance without charge. You are required to provide us with your proposed opening date at least thirty (30) days in advance. Once you have provided us with your proposed opening date and we have approved it, if you thereafter delay your opening without our approval, you will be responsible to pay an extension fee of \$1,000 per day for each day that you delay your opening date in order to cover our costs for modified training and support for your opening. If, at any time during the operation of your Franchised Restaurant you request that we provide additional training, or if we determine that you require additional assistance or training, you must pay our then-current per diem training fee for each trainee, and you must reimburse us for all out-of-pocket costs and expenses incurred by our trainers associated with the additional training, including lodging, meals and travel arrangements of



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			the trainers and other reasonable expenses.
Conference / Program Fee	Our then-current registration fee, which will vary by program	As incurred	We may charge you a reasonable fee for any conference, conventions, programs or training sessions that we conduct. The person holding a controlling interest in your business must attend our annual conference each year, if one is held, and we may charge you a registration fee for each person that attends. We may also charge you a reasonable fee for your failure to attend our annual convention, if we have one. We expect these fees to range from \$0 to \$1,000.
Transfer	The then-current initial franchise fee (\$10,000 if the transferee is already a franchisee)	Before the transfer	<p>Payable when you sell your franchise or (if you are an entity) a controlling ownership interest; however, we will not charge an initial franchise fee to the transferee. There are other conditions to transfer. This fee is subject to state law.</p> <p>We will not charge a separate fee for your transfer of an Area Development Agreement, but you must sign the franchise agreements for all of the Franchised Restaurants to be developed under the Area Development Agreement, you must transfer all of those agreements to the same person or entity that acquires your interest in the Area Development Agreement, and you must pay the transfer fee in connection with the transfer of each of those agreements.</p>
Audit	Cost of audit plus interest at the lesser of 1.5% per month or the highest commercial contract interest rate allowed by law on underpayment from the date of such underpayment	Thirty days after billing	The cost of the audit is payable only if audit shows an understatement of at least 2% of Gross Sales for any month or was necessitated by your failure to timely furnish reports and records.

<b>Type of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Renewal Fee	50% of the then-current initial franchise fee	Thirty days before renewal	Payable when, and if, you renew your Franchise Agreement. There are other conditions to renew.
Proprietary Products	The price as established by the applicable approved supplier from time to time, which may include us or our affiliates	Due as established by us, our affiliates, or the applicable approved supplier	These will be paid to us, our affiliates, or to other approved suppliers on the terms established from time to time by the applicable approved supplier.
New Product / Supplier Testing	\$2,500 per product or supplier	When billed	Covers the cost of testing new products or inspecting new suppliers you propose.
Franchisor Technology Fee	Currently, \$850 per month	Monthly	Payable to us for services relating to technology used in your Franchised Restaurant, which currently includes one email address, website hosting (if applicable), menu operations, restaurant management and back-office system software, franchise management software, mobile application, in-store music, talent recruiting software, construction management software, and may include other technology initiatives in our discretion. We may increase this fee upon notice to you, but may only do so once annually.
Insurance	Premiums and our costs and expenses	When billed	Due only if you fail to maintain insurance and we (at our option) obtain insurance on your behalf.
Relocation	Reasonable costs we incur	As incurred	Due only if you ask to relocate the Franchised Restaurant.
Restaurant Refurbishment	Will vary under the circumstances	As incurred	We may require you to materially refurbish your Franchised Restaurant to meet our then-current requirements for décor, layout, etc. We will not require you to refurbish the Franchised Restaurant more than once every five (5) years.
Interest and Late Fees	Late fee of \$50 per occurrence, plus interest on past due amounts at the lesser of 1.5% per month or the highest commercial contract	15 days after billing	Due on all overdue amounts.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
	interest rate allowed by law		
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	Due only if we prevail in a legal proceeding.
Indemnification	Will vary under the circumstances	As incurred	You must reimburse us if we incur losses arising from your Franchised Restaurant's operation or your breach of an agreement.
Standard Default Fee	Up to \$1,500 per day per violation	Upon demand	<p>In addition to our other rights and remedies under the Franchise Agreement, if you breach certain provisions of your Franchise Agreement and fail to cure the default during the applicable cure period, you must pay us up to \$1,500 per day until the default is cured to offset our expenses incurred to address the default. If the default is one that cannot be cured, you must pay us a \$1,500 fee.</p> <p>We also may charge up to \$1,500 per day of your use of any unauthorized product, service, supplier, or any unauthorized or unapproved advertising, or any day in which you operate the Franchised Restaurant without an approved General Manager who has completed our required training programs in place.</p>
Customer Complaint Handling Fee	Our actual costs and expenses incurred in resolving any customer complaints that you have failed to adequately address	Upon demand	You must immediately resolve any customer complaints regarding the quality of food or beverages, service and/or cleanliness of the Franchised Restaurant or any similar complaints. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints to our satisfaction and charge you an amount sufficient to cover our reasonable costs and expenses in

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			resolving the customer complaint.
Additional Cure Expenses and Collection Costs	Our cost and expense if we take any action to cure any default by you under the Franchise Agreement, including costs of collection for unpaid amounts	Upon demand	Due only if you are in default under your Franchise Agreement, in which case you must reimburse us for the additional expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate your Franchise Agreement if necessary.
Damages upon Termination	Will vary under the circumstances	15 days after termination	See Note 3.
Securities Offering	Our actual expenses	Upon demand	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Tax Assessment	Our actual expenses	Upon demand	Payable only if there is a sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed against us with respect to any payments you make to us under the Franchise Agreement.

Notes:

- (1) All fees are imposed by and payable to PURALIMA Franchising LLC unless otherwise specifically noted. All fees are imposed uniformly and are non-refundable.
- (2) In the event your Franchised Restaurant is not open and operating in compliance with our standards within nine months after the effective date of your Franchise Agreement (or within the required opening date for a subsequent Franchised Restaurant if you have signed an Area Development Agreement) and we have not granted you an extension, you will be required to pay us the Minimum Royalty Fee of Seven Thousand Five Hundred Dollars (\$7,500) per month plus seven percent (7%) of your Gross Sales (if any). The Minimum Royalty Fee will be charged monthly for each month until your Franchised Restaurant opens in compliance with our standards and will be pro-rated for partial months. We also have the right to terminate your Franchise Agreement if your Franchised Restaurant is not open by the required opening date.

“Gross Sales” means all revenue derived from operating the Franchised Restaurant, including the aggregate of all sales amounts from food, beverages and other products sold and services rendered at the premises or otherwise rendered in connection with the Franchised Restaurant, and all monies derived from sales at or away from the Franchised Restaurant, whether from cash, check, credit or debit card, barter exchange, trade credit, or other credit transactions, but: (1) excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate

taxing authority; and (2) reduced by the amount of any documented refunds, credits, allowances, adjustments, promotional discounts (including pursuant to the loyalty program), and charge-backs the Franchised Restaurant provides to customers in good faith. We treat each charge or sale upon credit as a sale for the full price on the day during which that charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Generally, at the time and to the extent that transactions relating to coupons, gift certificates, gift cards, or vouchers (including pursuant to the loyalty program) result in the recognition of revenue under applicable accounting standards and the rules of our gift card or loyalty program, that revenue will be included in Gross Sales for the month in which such revenue is recognized.

You must sign and deliver to us the documents that we periodically require to authorize us to debit your business checking account automatically for the Royalty, National Marketing Fee, and other amounts due under the Franchise Agreement or any related agreement between us (or our affiliates) and you. If we institute an automatic debit program for the Franchised Restaurant, we will debit your account for the Royalty and other amounts on or after the Payment Day, based on the Gross Sales for the previous month. You must make the funds available for withdrawal by electronic transfer before each due date. In our automatic debit program, we may require you to procure, at your expense, overdraft protection for your business checking account in an amount that we specify. You must reimburse us for any “insufficient funds” charges and related expenses that we incur for any checks that we receive from you or your failure to maintain sufficient funds in your automatic debit account.

You will be required to participate in our gift card program, pursuant to which PURALIMA Cantina™ gift cards may be purchased and redeemed at any PURALIMA Cantina™ Restaurant. Accordingly, you will be required to sell PURALIMA Cantina™ gift cards at your Franchised Restaurant and to honor the redemption of PURALIMA Cantina™ gift cards at your Franchised Restaurant irrespective of where the redeemed PURALIMA Cantina™ gift cards were purchased. We determine the policies and procedures relating to payments and reimbursements associated with our gift card program, and communicate such policies and procedures to you in the Operations Manual or in other written bulletins or communications. You will also be required to participate in our loyalty program pursuant to policies and procedures we determine and communicate to you in the Operations Manual or in other written bulletins or communications.

Corporate Restaurants currently pay Royalty Fees, Technology Fees, and the National Marketing Fee on the same basis as franchised Restaurants. Company and affiliate-owned Restaurants do not have a specific local advertising requirement, however they will make expenditures in local advertising programs as appropriate.

- (3) If your default under the Franchise Agreement results in termination of the Franchise Agreement, in addition to any other remedies available to us, you must pay us within 15 days after the effective date of termination actual damages in an amount equal to the average monthly fees paid or owed to us over the preceding 12 months (provided that if the Franchised Restaurant was not open during this entire 12-month period, we may use the Minimum Royalty Fee during such time period) multiplied by the (a) 36 (being the number of months in three full years), or (b) number of months remaining in the Franchise Agreement had it not been terminated, whichever is lower. You must also reimburse us for the expense we incur (including reasonable attorneys’ fees) as a result of your default of the Franchise Agreement, and to enforce and terminate the Franchise Agreement. If your default under an Area Development Agreement results in termination of the Area Development Agreement, in addition to any other remedies available to us, you must pay us within 15 days after the effective date of termination actual damages in an amount equal to \$25,000 for each of the first

two Franchise Agreements you failed to sign under the Area Development Agreement, plus \$10,000 for each additional Franchise Agreement you failed to sign under the Area Development Agreement.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount<sup>(1)</sup></b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is to Be Made</b>
Initial Franchise Fee <sup>(2)</sup>	\$64,500	Lump sum	Upon signing the Franchise Agreement	Us
Site survey <sup>(3)</sup>	\$3,000 to \$8,000	Lump sum	As arranged with vendor	Vendor
Architectural Plans <sup>(4)</sup>	\$20,000 to \$27,000	Lump sum	At least 30 days prior to commencement of construction or remodeling	Our architectural services provider
Furniture, Fixtures and Supplies <sup>(5)</sup>	\$70,000 to \$85,000	Lump sum	Upon receipt of invoice	Suppliers
Travel and living expenses while training <sup>(6)</sup>	\$2,500 to \$7,500	As incurred to vendors	As arranged with vendors	Vendors, such as airlines, hotels, and restaurants
Signage (interior and exterior)	\$13,000 to \$30,000	Lump sum or as incurred to suppliers	Upon receipt of invoice or as arranged with suppliers	Suppliers
Purchase and installation of commercial kitchen <sup>(7)</sup>	\$275,000 to \$325,000	As incurred to vendors and contractors	As arranged with vendors and contractors	Vendors and contractors
Premises construction and improvements <sup>(7)</sup>	\$350,000 to \$665,000	As incurred to vendors and contractors	As arranged with vendors and contractors	Vendors, contractors
Real estate and utility security deposits and 3 months' rent <sup>(8)</sup>	\$11,000 to \$60,000	As arranged with landlord and providers	As arranged with landlord and providers	Landlord and utility providers
Licenses and permits <sup>(9)</sup>	\$10,000 to \$30,000	As arranged with applicable authorities or contractors	As arranged with applicable authorities or contractors	Governmental agencies and contractors
Computer System (including installation of POS and inventory technology systems) <sup>(10)</sup>	\$26,800 to \$32,300	As arranged with providers	As arranged with providers	Our point of sale system provider

Type of Expenditure	Amount <sup>(1)</sup>	Method of Payment	When Due	To Whom Payment Is to Be Made
Insurance <sup>(11)</sup>	\$1,000 to \$10,000	As arranged with insurance provider	As arranged with insurance provider	Insurance provider
Grand Opening Marketing Spend <sup>(12)</sup>	\$25,000	Lump sum	As arranged with suppliers	Suppliers
Miscellaneous opening costs <sup>(13)</sup>	\$5,000 to \$10,000	As arranged with advisors, vendors, and service providers	As arranged with advisors, vendors, and service providers	Advisors, vendors, and service providers
Opening inventory <sup>(14)</sup>	\$7,500 to \$13,000	As arranged with suppliers	As arranged with suppliers	Suppliers
Pre-opening payroll expenses	\$16,028 to \$51,038	As incurred	As incurred	Employees
Additional funds for three months of operations (excluding labor costs) <sup>(15)</sup>	\$50,000 to \$75,000	As incurred	As incurred	Employees, suppliers, utilities
<b>TOTAL<sup>(16)</sup></b>	<b>\$950,328 to \$1,518,338</b>			

Notes:

- (1) All payments are non-refundable, unless payments are made to a third party and such third party agrees otherwise. For example, your security deposit for the lease of the Franchised Restaurant site may be refundable in whole or in part, depending upon the terms of your lease with the landlord for the site. We and our affiliates do not finance any part of the initial investment.
- (2) The initial franchise fee for a single Franchised Restaurant (i.e., not in connection with an Area Development Agreement) is \$64,500. If you sign an Area Development Agreement, you will pay a Development Fee equal to \$54,900 multiplied by the number of Franchised Restaurants you agree to develop. You then will not pay an initial franchise fee for each Franchised Restaurant you develop under the Area Development Agreement. After you apply to become a franchisee (for a single Restaurant or for multiple Restaurants under an Area Development Agreement) and after the expiration of the 14-day waiting period following your receipt of this disclosure document, you will be required to sign a letter of intent (the “LOI”) to evidence your intention to continue towards execution of one or more Franchise Agreements with us. In connection with the LOI you will be required to submit to a background check which includes a criminal/civil record search and a credit check. We will not countersign a Franchise Agreement or Area Development Agreement until we have received results of the search and check. If we determine that you are unsuitable to run a franchised Restaurant as a result of background check and credit check results, we reserve the right to not accept you as a franchisee and to terminate any agreements between us and you. An example of the LOI for a single territory is attached as Exhibit D to this disclosure document.
- (3) You must engage one of our approved vendors to complete a site survey of your Franchised Restaurant’s location. Costs will vary depending on site conditions.

- (4) We have a required architectural vendor who you must use for the creation of the architectural plans for your Franchised Restaurant.
- (5) This includes certain furniture and fixtures, art and décor, restaurant and catering supplies and wares, technology and related equipment for use in back-of-house operations, and a variety of other supplies and resources. This does not include, however, the components of the point-of-sale (“POS”) or inventory management systems or the commercial kitchen that will be necessary for the operation of your Franchised Restaurant. These items must be purchased from suppliers. The price for these items will vary depending on the size and layout of the premises for your Franchised Restaurant and whether you elect to include optional add-in items; this estimate assumes that you will purchase only the standard items for your Franchised Restaurant and that your Franchised Restaurant is approximately 2,350 to 3,000 square feet and shares a layout similar to the Corporate Restaurants.
- (6) There is no separate fee payable to us in connection with the Initial Training of up to four people. You will be responsible for making arrangements for travel, accommodations, and meals for your personnel attending our initial training, and you will be responsible for making payments directly to third party providers. The estimate contemplates local accommodations and meals for four people during three weeks of initial training in Minnesota. The low end of the estimate assumes that you and the individuals attending training reside within driving distance of the training location, and the high end assumes travel will be needed, although expenses may vary significantly depending upon factors such as the distance traveled and mode of transportation.
- (7) You will be required to make improvements to the premises for your Franchised Restaurant in accordance with our Standards. If you lease the premises, it is possible that your landlord will agree to pay for some or all of these improvements or to finance the cost of the improvements through increases in base rent. The amounts specified in the range assume that the landlord delivers the location for your Franchised Restaurant with all electrical, HVAC, and other utilities available to the premises and prepared with lighting, electrical switches and outlets, bathrooms, finished ceilings, and walls that are prepped for painting. The amounts do not include capitalized costs of rent or other occupancy costs, over either the life of the lease or the life of your investment. In addition, these amounts do not reflect costs for the purchase of unimproved land and construction of a free-standing restaurant, which also would result in a significantly greater initial investment. You should carefully investigate all of these costs in the area where you wish to establish your Franchised Restaurant. In addition, we have assumed the general contractor will include permitted fees in the construction cost. The low range of our estimate assumes that you obtain a tenant improvement allowance or that your landlord agrees to conduct a large portion of your buildout. One of these arrangements may or may not be available to you through your landlord. The actual costs you encounter may vary extensively based on the market, size of the premises, the site’s condition, its location, access to major streets, demand for the site, the local market for construction services, build-out and construction requirements, and tenant improvement allowances and requirements from landlords. Certain of the improvements, such as the installation of the commercial kitchen, will require the purchase of materials and components from suppliers we specify.
- (8) In general, we believe that ideal sites for Restaurants are between 2,350 and 3,000 square feet, are located in an upscale urban or suburban multi-tenant development, are located on a building end-cap, have a patio, and have plentiful free parking spaces. However, a site need not necessarily possess all of these characteristics in order to be suitable for a Restaurant. We expect that you will lease the premises for your Franchised Restaurant and have not projected any cost for the purchase of any land or building, although it is possible that you could purchase the premises, instead. Rent



will be location-specific, but we estimate it will typically range from \$32.46 to \$48.96 per square foot per year, including common area maintenance charges or tax expenses. This is based on our and our affiliates' experience with rental pricing in or near Minneapolis, Minnesota, and it will vary in other markets. Your rent may be higher based on a variety of factors, including geographic location, size of the premises, condition of the building, visibility to traffic, local competition and rental rates, and other factors. The low end of this estimate assumes you negotiated with your landlord to occupy the premises rent-free for at least the first three months of operation. This arrangement may or may not be available to you. The high range includes three months of rent and a security deposit.

Your landlord may require you to pay a security deposit in connection with your lease. Security deposits are often equivalent to one month's rent, and are often refundable, in whole or in part, pursuant to the terms of the lease. Utility providers may require you to pay deposits in connection with the installation of utility services to the premises. Utility deposits are often equivalent to one month's expenses and may be refundable depending on the terms of your agreement with each utility provider.

- (9) The cost of liquor and other licenses required to sell alcoholic beverages can be significant, particularly where such licenses are purchased in a private sale. Further, the cost of liquor and other licenses varies widely depending on the state in which the Franchised Restaurant is located. You are required to obtain all such licenses for the Franchised Restaurant unless local regulations prohibit the sale of liquor and other alcohol beverages or the costs are determined by us to be prohibitive, in our sole discretion.
- (10) You must purchase a POS computer system and other systems that meet our requirements.
- (11) You must obtain and maintain certain types and amounts of insurance coverage from an approved supplier of insurance. You must use our sole approved supplier of insurance. Insurance costs depend on policy limits, types of policies, the nature and value of physical assets, gross sales, number of employees, square footage, location, and other factors affecting risk exposure. The estimate contemplates insurance costs for three months. You should check with your insurance agent regarding any additional insurance you might wish to obtain above our stated minimums.

Our current minimum insurance requirements are as follows: (i) all risks property insurance coverage in full replacement value of any leasehold improvements, furniture, fixtures and equipment, and including business income and extra expense; (ii) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 in the general aggregate, including tenant's legal liability with limits of at least \$300,000, personal and advertising injury with limits of at least \$1,000,000, and products and completed operations in the aggregate with limits of at least \$2,000,000; (iii) automobile liability insurance, including owned (if applicable), non-owned and hired vehicle coverage with a combined single limit of at least \$1,000,000; (iv) worker's compensation and employer's liability insurance with employer's liability limits of \$500,000 per accident, \$500,000 in the aggregate, and \$500,000 for disease, as well as any other insurance required by law; (v) dram shop/liquor liability coverage as required by the applicable jurisdiction; and (vi) excess/umbrella liability coverage with a limit of \$3,000,000 per occurrence, \$3,000,000 annual aggregate, that sits in excess of general liability, auto liability, and employer's liability / worker's compensation coverage.

- (12) You must conduct a grand opening marketing and promotional program in connection with the grand opening of your Franchised Restaurant. You will be required to spend a minimum of \$25,000 to cover such expenditures.

- (13) This includes costs for telephone, professional fees and other organizational expenses associated with opening your Franchised Restaurant, as well as other miscellaneous opening costs (such as the first month's \$850 Technology Fee). We recommend that you engage an attorney to assist you in reviewing this disclosure document and evaluating the opportunity described herein, to help you in identifying local laws, regulations, and ordinances that will apply to you and your operation of the Franchised Restaurant, and for whatever other purposes you determine are appropriate.
- (14) You must purchase an initial inventory of certain items, primarily consisting of food items and ingredients. You will need to replenish your initial inventory on an as-needed basis as such items and other supplies are used. This estimate is based on inventory purchases from approved suppliers in connection with the opening of Corporate Restaurants. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume of your Franchised Restaurant's sales and the frequency of your orders.
- (15) You will need additional capital to support on-going expenses, such as payroll, to the extent that these costs are not covered by sales revenue. New businesses often generate negative cash flow. We estimate that the amount shown in the chart above will be sufficient to cover on-going expenses for the start-up phase or initial period of the business, which we estimate to be three months. This amount does not include the categories of expenses specifically set forth in the chart, like inventory or rent, nor does it include expenses relating to payment of hourly wages. This is only an estimate, and your actual costs and expenses will vary depending on numerous factors, including those described in Note 16 to this table.
- (16) The expenses described in this Item 7 are estimates of your initial expenses associated with opening one Franchised Restaurant to be incurred prior to opening the Franchised Restaurant and for the first three months of operations thereafter. You may incur other costs and expenses in addition to those described in this item, or in amounts in excess of the amounts described in this item. The exact amount of the costs and expenses you will incur will depend on a variety of factors, including without limitation your management skills and business acumen, experience in similar ventures, local economic conditions, local wages and associated costs, local competition, the sales levels you achieve during the initial period of operations, and other factors. If you open more than one Franchised Restaurant, such as pursuant to an Area Development Agreement, you will incur these costs for each Franchised Restaurant. All estimates in this table are based on the experience of our Parent (operating through its subsidiaries) in opening a Corporate Restaurant.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To help ensure a uniform image and uniform quality of products and services throughout our System, you must maintain and comply with our Standards. Our Standards exist to protect our interest in the System and the Marks and not for the purpose of establishing any control, or the duty to take control, over those matters that are reserved to you and are your responsibility.

### **Site Selection**

You must operate the Franchised Restaurant at a location that meets our site selection requirements and that we have approved. If we have approved a site for your Franchised Restaurant at the time you execute the Franchise Agreement, we will specify the site as the premises for your Franchised Restaurant in the Franchise Agreement at the time you sign the Franchise Agreement. In all other cases, the Franchise Agreement will describe a preliminary designated area and you will be responsible for identifying a site

within the preliminary designated area that meets our approval. Upon our approval of the site, we will designate the site as the premises for your Franchised Restaurant in the Franchise Agreement. If you utilize a broker to identify a location, you will be responsible for any costs associated therewith. We will not unreasonably withhold our approval of a site that meets our then-current criteria for demographic characteristics; traffic patterns; parking; character of the neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics.

We must approve of the lease, sublease, or purchase contract (which we refer to as the site acquisition document) for the premises of your Franchised Restaurant before you sign such document. If you lease the premises, the lease must contain the terms and provisions that are reasonably acceptable to us, and you and the landlord must execute the standard form of lease addendum (attached as Exhibit C to the Franchise Agreement). Within 10 days after our approval of the site acquisition document, you must send us the fully signed site acquisition document, together with the signed lease addendum, if applicable, for the premises. You may not relocate the Franchised Restaurant without our prior approval.

You are responsible for developing the Franchised Restaurant at your expense. It is your responsibility to prepare all required construction and remodeling plans and specifications to suit the Franchised Restaurant and to make sure that they comply with federal, state, or local laws and regulations, including the Americans with Disabilities Act (the "ADA") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. You must submit all site surveys, construction and remodeling plans and specifications to us for our approval before beginning build-out for the Franchised Restaurant and all revised or "as built" plans and specifications during construction and development. You must obtain a site survey from one of our approved vendors. We have a required architectural vendor who you must use for the creation of the architectural plans for your Franchised Restaurant.

You must open the Franchised Restaurant in compliance with our standards within nine months after the date of your Franchise Agreement. If you have signed an Area Development Agreement, you must open your first Franchised Restaurant in compliance with our standards within nine months after the date of your first Franchise Agreement and each of your subsequent Franchised Restaurants in compliance with our standards according to the opening deadlines set forth in the Area Development Agreement you will sign at the same time you sign your first Franchise Agreement.

Your obligation to complete construction of the Franchised Restaurant includes obtaining all required construction and occupancy licenses and permits, developing the premises (including all outdoor features and landscaping of the premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things required by the Franchise Agreement or by practical necessity to have the Franchised Restaurant ready to open for business by the required opening date. You must give us at least 30 days' prior notice of the date on which you plan to open the Franchised Restaurant. You may not open the Franchised Restaurant for business until we have notified you that the Franchised Restaurant meets our requirements for opening, including payment in full of the initial franchise fee and all other amounts then owing to us, successful completion of our initial training program, and our receipt of your certificates of insurance.

We may, but are not obligated to, grant you extensions of any opening deadlines if we determine, in our sole discretion, that you are expending good faith best efforts to complete site development and the opening process and pay a fee for the extension of up to \$5,000. However, in the event your Franchised Restaurant is not open and operating in compliance with our standards within nine months after the date of the Franchise Agreement (or within the required opening date for a subsequent Franchised Restaurant if you have signed an Area Development Agreement), unless you have obtained an extension to this

requirement, you will be required to pay us the Minimum Royalty Fee of \$7,500 plus 7% of your Gross Sales, if any, for each month until your Franchised Restaurant opens in compliance with our standards (pro-rated for partial months). Additionally, if the Franchised Restaurant does not open for operation in compliance with our standards by the required opening date, unless you have received an approved extension, we may terminate the Franchise Agreement.

At our option, we may periodically require you to substantially alter the Franchised Restaurant's appearance, branding, layout and/or design, and/or replace a material portion of the furniture, fixtures, equipment, wares, digital menu boards, signs, and related assets that we require for the Franchised Restaurant, to meet our then current requirements for new Restaurants. You must incur any necessary costs in connection with such upgrade or remodel. We will not require a substantial upgrade or remodel more than once during any five-year period.

### **Required and Approved Suppliers**

We will provide you with a list of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Restaurant ("Approved Supplies List"). From time to time we, an affiliate or a third-party vendor or supplier, may be the only approved supplier for certain products. The Approved Supplies List also may include other specific products without reference to a particular manufacturer, or may designate the specifications and/or standards for other approved products. We may revise the Approved Suppliers List and Approved Supplies List from time to time in our sole discretion. We currently require seasonal menu changes and you will be responsible for your costs and expenses associated with these seasonal required changes.

You are required to purchase from our approved suppliers, certain furniture and fixtures, art and décor, restaurant and catering supplies and wares, technology and related equipment for use in back-of-house operations, site survey services, and a variety of other supplies and resources. You may use in the operation of the Franchised Restaurant only the proprietary or nonproprietary equipment and supplies that we specify and must purchase or lease all equipment that we designate from our approved suppliers. Except for marketing and promotional services and assistance described in Item 11, neither we nor our affiliates currently are approved suppliers for any products or services as of the date of this disclosure document. None of our officers hold an interest in any of our suppliers, other than us and our affiliates. We reserve the right to designate ourselves and/or any of our affiliates as an approved supplier of additional items in the future, and we may even designate ourselves or an affiliate as the sole supplier of one or more items, in which case, you would have to buy the item from us or our affiliate at our or its then-current price. Our Operations Manual and other communications will identify our standards and specifications and the names of approved or designated suppliers. If we become a designated supplier, we may charge you a reasonable mark-up, surcharge and handling fee on any items you purchase from us. Monies you pay to us will include a profit for us.

As of the date of this disclosure document, we also maintain specific suppliers as the sole source of supply for certain foods, ingredients, beverages, supplies, and other products and services; you must purchase and maintain our designated POS system hardware and software from a single supplier; you must use our designated architectural vendor for creation of the architectural plans for your Franchised Restaurant as described above; and you must use our designated providers for our loyalty program, digital menu board software, computer system firewall software, and internet service. We may also require you to use a designated digital marketing vendor for digital marketing services and a designated vendor for public relations services.

## Advertising

Each quarter, we may require you to spend an amount on local advertising equal to a percentage of your Gross Sales from the previous quarter. We do not currently have a minimum required expenditure, but we have the right to establish this obligation in an amount equal to up to 4.5% of the prior quarter's Gross Sales upon notice to you. We will have the right to review and approve all marketing plans and promotional materials that you propose to use, and you may use only marketing and promotional materials that meet our standards, are approved by us, and are produced by an approved supplier. You may not implement any marketing plan or use any promotional material without our prior written consent.

## Computer System and Required Software

You are required to obtain and use the specific POS and inventory system, electronic cash register, computer, thermal printers, AC line filters, remote printer interface, internet-based communications (collectively, the "Computer System") we have approved for use at your Franchised Restaurant. All components of the Computer System must be purchased from suppliers approved by us. You must also obtain a license for the required POS system software and for a back office and inventory system, as well as certain off-the-shelf software, including Microsoft Office, accounting software and such other business operations software as we may require and complete such training on this software as we may require, at your expense.

## Certifications and Licenses

You are required to obtain the required licenses and certifications as may be required by your state laws. Each of your managers and other employees we designate must be ServSafe certified or must have completed a similar safety training and certificate program approved by us, and you must bear the cost of ensuring such managers and employees have obtained such approved certifications.

## Insurance

You must obtain and maintain certain types and amounts of insurance coverage from an approved supplier of insurance. We have developed a custom insurance package with Christensen Group Insurance that meets our insurance requirements, and which is available for you to purchase. Christensen Group Insurance is currently the only approved supplier of insurance. All insurance policies must name us and others we designate as additional insureds. You must provide us with evidence of your insurance coverage before you begin operation of your Franchised Restaurant, upon annual renewal of your insurance, or otherwise within 10 days of our demand for proof.

Our current minimum insurance requirements are as follows: (i) all risks property insurance coverage in full replacement value of any leasehold improvements, furniture, fixtures and equipment, and including business income and extra expense; (ii) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 in the general aggregate, including tenant's legal liability with limits of at least \$300,000, personal and advertising injury with limits of at least \$1,000,000, and products and completed operations in the aggregate with limits of at least \$2,000,000; (iii) automobile liability insurance, including owned (if applicable), non-owned and hired vehicle coverage with a combined single limit of at least \$1,000,000; (iv) worker's compensation and employer's liability insurance with employer's liability limits of \$500,000 per accident, \$500,000 in the aggregate, and \$500,000 for disease, as well as any other insurance required by law; (v) dram shop/liquor liability coverage as required by the applicable jurisdiction; and (vi) excess/umbrella liability coverage with a limit of \$3,000,000 per occurrence, \$3,000,000 annual aggregate, that sits in excess of general liability, auto liability, and employer's liability / worker's compensation coverage.

## **Approval of Alternative Suppliers or Brands**

If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. You must pay us a \$2,500 fee at the time you submit any request to approve an unapproved supplier or product as reasonable fees to cover our investigation costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require be incorporated in a written agreement. We may impose limits on the number of suppliers (which may include us or our affiliates) and/or brands for any of the foregoing items. In the event you use any brand or supplier that is not then approved by us, we may charge you up to \$1,500 per day until such unauthorized use ceases.

We apply the following general criteria in approving a proposed supplier or brand: (i) the ability to make products or provide services in conformity with our specifications; (ii) the reputation and integrity of the supplier or brand; (iii) the financial condition and insurance coverage of the supplier; and (iv) System uniformity. Determinations of whether a supplier or brand meets our specifications and quality and safety standards will be made by us in our sole discretion. We have no obligation to approve any supplier or brand. We may limit the number of approved suppliers or brands with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which in the future might be us or our affiliate) for a particular product or service or if we believe that doing so is in the best interests of the System. We are not required to make available to you or to any supplier our criteria for product or supplier approval if we deem such criteria to be confidential.

## **Revenue Derived from Franchisee Purchases and Leases**

We and/or our affiliates may derive revenue from franchisee purchases and leases to the extent that you purchase products or services directly from us or our affiliates. Neither we nor our affiliates received any revenue from the sale of goods and services to our franchisees in the last fiscal year ended December 31, 2023.

In addition, we and/or our affiliates may derive revenue or other material consideration based on your purchases of goods and services from our approved suppliers in the form of promotional allowances, volume discounts, rebates, and other payments that approved or required suppliers make to us and our affiliates. We and our affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes that we and our affiliates deem appropriate. We do and reserve the right to receive payments from authorized suppliers that we retain as profit related to their dealings with our franchisees and the System, and suppliers may pay us based upon the quantities of products the System purchases from them. These payments will usually be based upon an amount per unit or percentage rebate, and generally range from 2% to 7% of the purchases you make from the vendor. We may receive payments from a supplier as a condition of our approval of that supplier.

## **Estimated Proportion of Required Purchases and Leases to all Purchases and Leases**

We estimate that the purchases and leases that you must make from us or our affiliates, from designated or approved suppliers, or according to our standards will represent approximately 95% of your total purchases in connection with establishing your Franchised Restaurant (excluding the franchise fee and other non-goods expenditures), and over 90% of the ongoing costs that you will need to operate your Franchised Restaurant (excluding franchise fees and royalties and other non-goods expenditures).

## Cooperatives; Negotiated Prices; Material Benefits; Market Research

There are no purchasing or distribution cooperatives related to PURALIMA Cantina™ franchises. We have negotiated or intend to negotiate purchase arrangements with suppliers (including price terms) for some items and services. In doing so, we seek to benefit franchisees as well as promote the overall interests of the System and our interests as the franchisor. In addition, in the future various vendors and suppliers may contribute to the cost of any annual franchise convention for the System through rebates, contributions or purchasing booths at the convention. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

We may conduct market research to determine consumer trends and salability of new food products and services. You agree to cooperate by participating in our market research programs by test marketing new food products and services in your Franchised Restaurant and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

### ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Section in Area Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 3.01, 3.02, 3.03, and Exhibit C	Sections 3.B.3 and 3.B.4	Items 7, 8, and 11
b. Pre-opening purchase/leases	Sections 3.04, 3.05, 3.06, and 9.03	Not Applicable	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 3.04, 3.05, 3.06, and 9.03	Not Applicable	Items 7, 8, and 11
d. Initial and ongoing training	Sections 4.01, 4.02, and 4.03	Not Applicable	Items 6 and 11
e. Opening	Sections 3.04 and 3.07	Sections 1.B, 3.A, 3.B, and Rider	Item 11
f. Fees	Sections 3.04, 3.05, 3.06, 4.01, 4.02, 4.03, 6.01, 6.02, 6.03, 6.04, 6.05, 8.03, 9.03, 10.01, and 14.05	Sections 2, 6.B, and Rider	Items 5, 6, and 7
g. Compliance with standards and policies/operations manual	Sections 4.04 and 9	Not Applicable	Items 6, 7, 8, 11, 14, and 16
h. Trademarks and proprietary information	Sections 4.04, 5, 7.01 and 7.03	Not Applicable	Items 13, 14, and 15
i. Restrictions on products/services offered	Sections 9.03 and 9.12	Not Applicable	Items 6, 7, 8, 11, and 16

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in Area Development Agreement</b>	<b>Disclosure Document Item</b>
j. Warranty and customer service requirements	NA for warranty. Section 9.04 for customer service	Not Applicable	Item 8
k. Territorial development and sales quotas	NA for sales quotas. Sections 2.02 and 2.03 for territorial development	Sections 1, 3 and Rider	Item 12
l. Ongoing product/service purchases	Sections 3.05, 9.02, 9.03, and 10.02	Not Applicable	Items 6, 7 and 8
m. Maintenance, appearance, and remodeling requirements	Sections 3.04, 3.05, 9.01 9.04, 15.02, and 15.03	Not Applicable	Items 8 and 11
n. Insurance	Section 9.07	Not Applicable	Items 6, 7, and 8
o. Advertising	Sections 3.06, 9.05, 9.08, and 10	Not Applicable	Items 6, 7, and 11
p. Indemnification	Section 17.02	Not Applicable	Items 6 and 13
q. Owner's participation/management/staffing	Sections 8.03, 8.04, and 9.06	Not Applicable	Items 11 and 15
r. Records and reports	Section 11	Not Applicable	Items 6 and 11
s. Inspections and audits	Section 12	Not Applicable	Items 6 and 11
t. Transfer	Section 13	Section 7	Items 6 and 17
u. Renewal	Section 15	Not Applicable	Items 6 and 17
v. Post-termination obligations	Sections 16.02, 16.03, 16.05, and 16.06	Section 6	Item 17
w. Non-competition covenants	Sections 7.02 and 16.03	Section 9	Items 9, 15, and 17
x. Dispute resolution	Sections 18.03 – 18.08, and 18.10	Section 9	Item 17
y. Other: Guarantee of franchisee obligations <sup>(1)</sup>	Section 18.16	Exhibit A	Item 15

**Notes:**

- (1) Each individual who is a “Principal Owner” as defined in the Franchise Agreement (generally, an owner of a 10% or greater interest in a franchisee) and his/her spouse must sign a non-competition, non-disclosure, and proprietary rights agreement (Exhibit D to the Franchise Agreement) and an agreement assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement (Exhibit E to the Franchise Agreement). In addition, each Principal Owner has direct obligations under the Franchise Agreement.

**ITEM 10  
FINANCING**

Neither we nor our Parent or any of our affiliates offers any direct or indirect financing to franchisees or guarantees any obligations of any franchisee



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

**Except as listed below, PURALIMA Franchising LLC is not required to provide you with any assistance.**

**Pre-Opening Assistance**

Under the Franchise Agreement: Before you open your Franchised Restaurant, we will:

- (1) Describe your preliminary designated area and your designated area (Franchise Agreement – Sections 2.02 and 3.02).
- (2) Review and make a decision regarding approval of sites for your Franchised Restaurant. (Franchise Agreement – Sections 3.02 and 14.02).
- (3) Approve or disapprove the lease, sublease, or purchase agreement for the Franchised Restaurant. After we have executed the Franchise Agreement, and after you have submitted a proposed site for the Franchised Restaurant which we have approved, you may proceed to negotiate the lease, sublease, or purchase agreement for the site. You must provide the lease, sublease, or purchase agreement to us for our consideration and approval or disapproval prior to signing. Although we may in some circumstances provide you with assistance in negotiating a lease or sublease, we are under no obligation to do so. If you lease the site, the lease must contain terms that are reasonably acceptable to us, and you and the landlord will be required to execute our standard lease addendum, the form of which is attached as Exhibit C to the Franchise Agreement. Neither we nor our affiliates generally own the sites at which Restaurants are operated, which means you will be negotiating with independent third parties relating to the lease, sublease, or purchase of the site for your Franchised Restaurant. (Franchise Agreement – Sections 3.02 and 3.03).
- (4) Provide you with sample floor plans and layouts for a Restaurant to assist you in locating and developing an appropriate site. These sample materials are intended to assist you in working with contractors and vendors to build out your Franchised Restaurant according to our Standards. The sample materials are not designed to meet all requirements of federal, state, or local laws or regulations that might apply to your Franchised Restaurant; you will be solely responsible for ensuring that the design and construction or remodeling of your Franchised Restaurant meets with all requirements of such laws and regulations, including any local zoning or environmental regulations, ordinances, building codes, permit requirements, and lease restrictions. It is your responsibility to prepare all required construction and remodeling plans and specifications to suit your Franchised Restaurant and to construct, remodel and decorate the premises. You must submit all site surveys, construction and remodeling plans, and specifications to us for our approval before beginning build-out for the Franchised Restaurant and all revised or “as built” plans and specifications during construction and development. We have a required architectural vendor who you must use for the creation of the architectural plans for your Franchised Restaurant. You must obtain a site survey from one of our approved vendors. We may, but are not required to, periodically inspect the site during its development. (Franchise Agreement – Section 3.04).
- (5) Sell (and cause our affiliates that are approved suppliers, as applicable, to sell) you any items and services that we or our affiliates are an approved supplier for. (Franchise Agreement – Section 3.05).

- (6) Provide you access to our confidential operations manual and other confidential technical manuals or documents (“Operations Manual”). Although we will provide you with a copy of the Operations Manual, the Operations Manual remains at all times our property. The Operations Manual may include various tangible and intangible, electronic forms of media, including material that we make available to you by providing you with internet access to such material through a restricted website. (Franchise Agreement – Sections 4.01 and 4.04).
- (7) Provide, pursuant to our Initial Training program, your General Manager, Approved Operator (if applicable), and at least two other management level employees with our initial training program, which may be conducted at our corporate offices or another location we select and at one or more of the Restaurants. (Franchise Agreement – Section 4.01). You will be responsible for all compensation and expenses (including transportation, lodging, food, and incidental expenses) incurred in connection with any training programs. This training is described in detail below in this Item 11.
- (8) Provide on-site assistance prior to and during the opening of your Franchised Restaurant. (Franchise Agreement – Section 3.07).

Under the Area Development Agreement: Before you open your Franchised Restaurant:

- (1) We will approve or deny your proposed site for each Franchised Restaurant. (Area Development Agreement – Section 3.B.3).
- (2) We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location as we deem appropriate. (Area Development Agreement – Section 3.B.3).

### **Post-Opening Assistance**

Under the Franchise Agreement: During the operation of your Franchised Restaurant, we will:

- (1) Advise you regarding your Franchised Restaurant’s operations. We will give you advice and written materials, including our Operations Manual, to guide you on standards, specifications, operating procedures, and methods that Restaurants use in our System in accordance with our Standards; purchasing required or recommended products, supplies, and materials; and other matters. (Franchise Agreement – Section 4.02)
- (2) At our option and discretion, provide you or your personnel with additional training, at your cost and expense (Franchise Agreement – Section 4.03).
- (3) Provide you with ongoing access to our Operations Manual (Franchise Agreement – Section 4.04).
- (4) Maintain, modify, and issue the Standards. We will maintain the Standards for the System, and may from time to time modify such Standards or issue new Standards. Changes in the Standards may require you to invest additional capital in order to bring your Franchised Restaurant into compliance with such modified Standards, and you will be required to do so within time periods specified by us. (Franchise Agreement – Section 9.01).
- (5) Provide you with the right to use the Marks for your Franchised Restaurant (Franchise Agreement – Section 2.01).

- (6) As applicable from time to time, sell (or cause our affiliates that are approved suppliers, as applicable, to sell) to you products and services for which we or our affiliates are an approved supplier. (Franchise Agreement – Section 9.03).

As the Area Development Agreement relates to the development of Franchised Restaurants, the Area Development Agreement does not require us to provide any other assistance or services during the operation of your Franchised Restaurant.

## **Site Selection**

### Under the Franchise Agreement

You will be required to locate a site that you believe is acceptable for your Franchised Restaurant and provide us with all information we require relating to the proposed site. We will have 30 days after we receive all of the information we require to notify you whether the site is approved. Unless we provide our specific approval, a proposed site is deemed not approved. If we cannot agree on a proposed site, we may elect to terminate that Franchise Agreement and retain the entire initial franchise fee.

We will evaluate each proposed site based on the market area, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size, and other physical and commercial characteristics. In general, we believe that ideal sites for Restaurants are between 2,350 and 3,000 square feet, are located in an upscale urban or suburban multi-tenant development, are located on a building end-cap, have a patio, and have plentiful free parking spaces. However, we evaluate sites on a case by case basis and sites that are suitable for Restaurants may not necessarily have all of these characteristics. Once we have approved a site, it is your responsibility to conform the premises to local ordinances and building codes, and to obtain any required permits. Additionally, it is your responsibility to oversee the construction, remodeling, and/or decorating of the premises, according to the standards and guidelines we provide you.

Based on our Parent's experience (operating through its subsidiary) in opening a Corporate Restaurant, we estimate that franchisees will typically open their Restaurants within six to nine months after they sign a Franchise Agreement. The factors that will affect opening time include how quickly you are able to select a site that we approve, the ability to negotiate a lease with the landlord or acquire the premises, the availability of any necessary financing, the timing and process for obtaining building permits and other required licenses, the application and effect of zoning and local ordinances, the scope of leasehold improvements that are necessary for the premises and a variety of factors relating to the construction of those improvements, weather conditions, shortages, and delays in installation of equipment, fixtures, and signs, your ability to comply with all local regulatory requirements, and other similar factors.

### Under an Area Development Agreement

For each proposed site for a Franchised Restaurant to be developed under the Area Development Agreement, you must also obtain approval of your site as outlined above. If you sign an Area Development Agreement, you must sign individual Franchise Agreements and begin operating a Franchised Restaurant under each of those agreements within the time provided for in the Development Schedule (as defined below), which may differ from the form of Franchise Agreement attached to this disclosure document.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. Under the Franchise Agreement and Area Development Agreement, our approval of a site indicates only that we believe the site meets our then-applicable criteria. Applying criteria that have appeared to be effective with other sites does

not guarantee that each approved site will be successful due to demographic or other factors of each particular site. We are not responsible if a site that we approve for your Franchised Restaurant fails to meet your expectations.

## **Advertising**

In order to ensure the success of your Franchised Restaurant, we recommend that you actively promote and advertise the Franchised Restaurant in your area and participate in any local marketing programs that we establish. Each quarter, we may require you to spend an amount on local advertising equal to a specified percentage of your Gross Sales from the previous quarter. We currently require you to spend 4.5% of the prior quarter's Gross Sales on local marketing; however, if you have an approved marketing representative on your team and you are in compliance with our minimum local marketing requirements and with all of your agreements with us and our affiliates, we do not enforce this requirement as of the date of this disclosure document. If the requirement is applicable to you, within 30 days of our request, you must provide us with proof of your local marketing expenditures, including verification copies of advertisements; if you do not spend at least the minimum amount on local marketing in a given annual year, you must pay to us the difference between the applicable minimum local marketing obligation, and the amount that you actually spent on local advertising.

All marketing materials must be approved by us before you use them. Any marketing material that you propose to use that has either not been provided by us or has not been previously approved by us within the past three months must be submitted to us for our review at least 10 days before you propose to use the marketing material. Your prices for products and services at the Franchised Restaurant must also be approved by us, which may be established based on your region, market or other factors, and which also apply to any delivery platforms that we allow you to use. Unless we provide our specific approval of your proposed advertising and promotional plans and materials, and prices, they are deemed not approved. We retain discretion to withhold or deny approval of marketing materials not provided by us if we determine the materials are not consistent with the brand image for the System and the Marks. Any marketing materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. If you use any advertising or promotional material that has not been provided by us or approved by us in the past three months, we may charge you up to \$1,500 per day until your unauthorized use ceases.

Currently, as part of your local marketing requirement, we do require each Restaurant to arrange, conduct, or participate in a minimum level of participation in community engagement activities, as we specify, per month. You must meet the minimum requirements for each such engagement as we establish from time to time, including notifying us in advance in order to allow us to promote your event as we deem appropriate. You are prohibited from advertising or otherwise using the Marks in any fashion on the internet or via other means of advertising through telecommunications without our prior written consent. We reserve the right to require you to include certain language in your local marketing, such as "Franchises Available" and our website address and telephone number.

We do not have a formal franchisee advisory council that advises us on advertising policies.

### *Grand Opening Marketing Spend*

You must execute a grand opening marketing plan and corresponding "Grand Opening Marketing Spend." Your grand opening marketing plan will vary depending on the size of your market, the number of stores open in your market, competition in your market, and other factors, and will be prescribed by us, and your Grand Opening Marketing Spend must include a minimum of \$25,000. We require you to spend a minimum of the Grand Opening Marketing Spend directly with our approved vendors to procure digital

marketing services, direct mailers, opening invitations, banners, flyers, email marketing services, sandwich boards, swag and giveaways, and opening day decorations. You must also procure professional services such as a disc jockey and photographer. Generally, the grand opening marketing plan will be conducted in the 60 days prior to your opening.

### *National Marketing Fee*

You will be required to pay us a National Marketing Fee, on a monthly basis, in an amount based on a percentage of your Gross Sales for the prior month. The National Marketing Fee is currently an amount equal to 2% of your Gross Sales for the preceding month, although we have the right to increase the National Marketing Fee to an amount up to 3% of your Gross Sales for the preceding month. Our Corporate Restaurant also currently pays the National Marketing Fee on the same basis as franchised Restaurants. This is a fee that you pay to us in consideration of marketing and promotional efforts that we undertake which benefit all Restaurants. This fee is not a contribution to an independent advertising fund or a pooled advertising program. Payments are accounted for as general operating revenue, and we do not provide a separate accounting for how this revenue is spent. Amounts paid to us in the form of the National Marketing Fee may be used by us to pay our expenses relating to marketing and promotion, including, without limitation, expenses arising from:

- Creative development services, including improvements and iterations in Restaurant design, trade dress, logo, further development of the Marks or creation of additional Marks, graphics, and advertising and promotional items, initiatives, and concepts;
- Marketing services, including market studies, customer surveys, focus groups, sales and marketing training, customer interviews, and related matters;
- The engagement of third-party advertising or public relations professionals or firms;
- Developing, producing, distributing, and placing advertising, including interior, point-of-sale, general print, online, and social media advertising content;
- Maintaining, updating, hosting, and supporting a website and mobile technology app, including Restaurant locator functionality;
- Developing, administering, and distributing, in print or electronically, coupons, certificates, stored value card programs, and related initiatives;
- Obtaining sponsorships and endorsements;
- Creating, developing, and distributing social media content and maintaining social media channels;
- Monitoring the adherence to customer relations standards by franchisees;
- Personnel and overhead costs relating to the administration and execution of our marketing and promotional function; and
- Any other expenses of developing and promoting the PURALIMA™ and PURALIMA Cantina™ brands and PURALIMA Cantina™ Restaurants.

We will direct all programs financed by the National Marketing Fee and will have sole control over the creative concepts and materials used and their geographic, market, and media placement and allocation. We may use the National Marketing Fee to advertise locally, regionally, nationally, or internationally in print materials, on radio or television, on the internet, and through social media channels, according to our sole discretion. We intend to use the National Marketing Fee to maximize recognition of the PURALIMA™ and PURALIMA Cantina™ brands and System as a whole, but we have no obligation to ensure that we make marketing expenditures in or affecting any particular geographic area, or to ensure that expenditures across geographic areas are proportionate in any way.

#### *Local Marketing Funds or Cooperatives*

We have the right to establish local and/or regional advertising cooperatives for Restaurants, covering such geographical areas as we may designate at any time and from time to time. With respect to any advertising cooperative we establish and which we designate for your Franchised Restaurant, you must participate in such advertising cooperative and its programs (other than price advertising, as to which you may choose not to participate) and abide by its by-laws. You must contribute such amounts to the advertising cooperative(s) as they determine at any time and from time to time in accordance with their by-laws. Any Restaurants owned by us or any of our affiliates located in such designated local or regional area(s) will contribute to the cooperative(s) on the same basis. Contributions to such local and regional advertising cooperatives are credited toward your required local advertising expenditures under the Franchise Agreement, with the exception of certain special regional promotions we may designate from time to time. As of the date of this disclosure document, we have not established any local or regional advertising cooperatives.

#### *System Website and Electronic Advertising*

We have established and currently maintain a website for the purpose of marketing and promoting the Restaurants and services they offer and the System (the “System Website”). If we include information about your Franchised Restaurant on the System Website, you must give us the information and materials that we periodically request concerning the Franchised Restaurant and otherwise participate in the System Website in the manner that we periodically specify. By posting or submitting to us information or materials for the System Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party’s rights.

We own all intellectual property and other rights in the System Website and all information it contains, including the domain name or URL for the System Website, the log of “hits” by visitors, and any personal or business data that visitors (including you and your personnel) supply. We may implement and periodically modify Standards relating to the System Website and, at our option, may discontinue the System Website, or any services offered through the System Website, at any time.

All advertising, marketing, and promotional materials that you develop for the Franchised Restaurant must contain notices of the System Website’s URL in the manner we periodically designate. You may not develop, maintain, or authorize any other website, other online presence or other electronic medium that mentions or describes the Franchised Restaurant or displays any of the Marks without our prior approval. You may not conduct commerce or directly or indirectly offer or sell any products or services relating to the Franchised Restaurant using any website, another electronic means or medium, or otherwise over the internet without our consent. Nothing limits our right to maintain websites other than the System Website or to offer and sell products and services under the Marks from the System Website, another website, or otherwise over the internet without payment or other obligation. (Franchise Agreement – Section 10.02)

You must comply with our System Standards regarding the use of social media in your Franchised Restaurant's operation, including prohibitions on your and the Franchised Restaurant's employees posting or blogging comments about the Franchised Restaurant or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like Twitter, SnapChat, TikTok, or Instagram, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools).

### *Mobile Application*

We have developed and intend to maintain, and we or our designee may in the future further develop or modify and maintain, a mobile application featuring store locator and ordering capabilities. You will be required to support our mobile application by accepting orders received through the mobile application and performing other responsibilities we may specify from time to time to support our mobile application.

### **Computer System and Electronic Cash Register**

Under the Franchise Agreement, you must obtain and use the computer hardware and software that we periodically specify, including hardware components, dedicated telephone and power lines, modems, printers, and other computer-related accessories and peripheral equipment.

You must maintain your books and business records according to our required format. To assist you with your reporting obligations to us, you must purchase or lease the specific POS and inventory system, electronic cash register, computer, thermal printers, AC line filters, remote printer interface, internet-based communications, and security monitoring and camera systems (collectively, the "Computer System") we have approved for use at your Franchised Restaurant. All components of the Computer System must be provided by suppliers approved by us. You will be required to acquire the POS and inventory system from our designated supplier. The total cost to purchase the Computer System ranges from \$26,800 to \$32,300. The cost is subject to change based on market conditions, availability of the products, and changes in technology, among other factors. The Computer System will record all sales information with respect to your Franchised Restaurant. We require that your Computer System be set up and interfaced with our system so that we are able to poll your daily receipts figures from our headquarters at any time. We may require computer hardware and software upgrades in the future. The frequency of these upgrades could be as often as annually or bi-annually. The costs of incorporating any upgrades into your Franchised Restaurant will be your financial obligation. We estimate the annual cost of any optional or required maintenance, updating, upgrading, or support contracts for your Computer System to be \$2,400 to \$3,000.

You must make annual payments to a third-party vendor to maintain your Computer System. It is anticipated that several updates and upgrades may be required by your third-party vendor during the term of your Franchise Agreement, and any such updates or upgrades will be at your expense. We have no contractual obligation with any third party to upgrade your Computer System, but we may require upgrades from time to time. There is no limitation on the frequency or cost of these upgrades.

All data that you provide to us from your Computer System as well as other information that we may otherwise collect from you is owned exclusively by us, and we will have the right to use that data in any manner we deem appropriate without compensating you. You must provide us with unimpeded online access to your Computer System, in the manner, form, and at the times requested by us, resulting in us having independent access to the information generated and stored in the systems. You must also provide us with access to a web-based video or camera feed of the Franchised Restaurant.

You must keep your cash registers and Computer System in good repair, at your expense, and you must promptly install additions, changes, modifications, substitutions and replacements to the cash register and Computer System as we may reasonably require. You must at all times have at your Franchised Restaurant a high-speed broadband internet connection at our then-current minimum bandwidth specification in order to ensure proper function of the Computer System and interfacing between the Computer System and our computer system. You will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your own cash register and Computer System; (b) the manner in which your cash register and Computer System interface with our computer systems and the computer systems of third parties; and (c) all consequences that may arise if your cash register and Computer System are not properly operated, maintained and upgraded.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed or maintained by or for us (including the System Website), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates periodically specify to regulate your use of, and our (or our affiliate's) and your respective rights and responsibilities concerning, the software or technology. We and our affiliates may charge you up-front and ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to you and for other Computer System maintenance and support services provided during the Franchise Agreement's term.

The Computer System may in the future include proprietary software. We currently require that you license software for your POS system, a restaurant management and back-office system, and our franchise operating software. The cost of the POS software is currently \$900 to \$1,200 per month and you must pay the then-current costs for this license to our designated vendor. The cost of the restaurant management and back-office system, and for the franchise operating software, is included in your Technology Fee. You must also use the following software or services: Our designated loyalty program, which currently costs \$155 to \$200 per month; digital menu board software, which currently costs \$63 per month; computer system firewall software, which currently costs \$103 per month; and internet service, which currently costs \$250 to \$300 per month. In addition, you must obtain licenses for certain off-the-shelf software including Microsoft Office and accounting software which licenses we estimate to be a total of \$40 to \$80 per month. You will also be required to use a phone system, which we estimate to cost \$100 per month, and a security system, which we estimate to cost \$50 to \$100 per month. We will provide you with certain other technology services, such as email hosting, website hosting, in-store music, mobile application, talent recruiting software, menu operations, construction management software, and other technology initiatives, and you must pay our then-current Franchisor Technology Fee for these services, which is currently \$850 per month, in addition to the services outlined above.

You may be required to license proprietary software from us, an affiliate or a third party and you also may be required to pay an additional software licensing or user fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software.

For purposes of clarification, you will be solely responsible for ensuring that your Computer System is, and remains, compliant with all current "Payment Card Industry" (PCI) requirements periodically promulgated by VISA<sup>®</sup>, MasterCard<sup>®</sup>, American Express<sup>®</sup>, Discover<sup>®</sup>, and/or any other credit card brand honored at your Franchised Restaurant. You must ensure that your Franchised Restaurant adheres to the standards applicable to electronic payments including PCI standards or any equivalent standards. If we or one of the credit card companies requires, you must provide us with evidence of compliance with the applicable standards and provide, or make available, to us copies of an audit, scanning results or related documentation relating to the compliance. You must pay any costs associated with an audit or to gain compliance with these standards. You must immediately (in any event within 24 hours)



notify us if you suspect or have been notified by any third party of a possible security breach related to the cashless system (or related cashless data) used in the Franchised Restaurant.

## **Opening**

Based on our Parent's experience (operating through its subsidiary) in opening a Corporate Restaurant, we estimate that the typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your Franchised Restaurant will be approximately six to nine months. Factors that may impact this length of time include how quickly you are able to select a site that we approve, the ability to negotiate a lease with the landlord or acquire the premises, the availability of any necessary financing, the timing and process for obtaining building permits and necessary licenses, the application and effect of zoning and local ordinances, the scope of leasehold improvements that are necessary for the premises and a variety of factors relating to the construction of those improvements, weather conditions, shortages, and delays in installation of equipment, fixtures, and signs, your ability to comply with all local regulatory requirements, and other similar factors.

You must open your Franchised Restaurant for business no later than nine months after the Franchise Agreement is signed. (If you have signed an Area Development Agreement, you must open your first Franchised Restaurant no later than nine months after your first Franchise Agreement is signed and each of your subsequent Franchised Restaurants according to the opening deadlines set forth in the Area Development Agreement that you will sign at the same time you sign your first Franchise Agreement.) You must also provide us with at least 30 days advance notice of your proposed opening date. Once you have provided us with your proposed opening date and we have approved it, if you thereafter delay your opening without our approval, you will be responsible to pay an extension fee of \$1,000 per day for each day that you delay your opening date in order to cover our costs for modified training and support for your opening.

We may, but are not obligated to, grant you an extension of the deadline for opening your Franchised Restaurant if we determine, in our sole discretion, that you are expending good faith best efforts to complete each phase of the site development and opening process and pay a fee for the extension of up to \$5,000. However, in the event your Franchised Restaurant is not open and operating by the required opening date, you will be required to pay us a minimum royalty payment of \$7,500 per month, plus 7% of any Gross Sales you receive, for each month until your Franchised Restaurant opens (pro-rated for partial months). Additionally, if the Franchised Restaurant does not open for operation in compliance with our standards by the required opening date, unless you have received an approved extension, we may terminate the Franchise Agreement.

If you purchased the rights to develop three or more Restaurants under an Area Development Agreement, you and we will agree on a timeline for opening the Franchised Restaurants, which will be set forth in the Area Development Agreement that you will sign at the same time you sign your first Franchise Agreement. Under the timeline, you will be required to open your first Franchised Restaurant within nine months after execution of the Area Development Agreement, and then you typically will be required to open each subsequent Franchised Restaurant every nine months after that until you have met your total Franchised Restaurant openings commitment.

We also may require you to materially refurbish the premises of your Franchised Restaurant to conform to the System's then-current design, trade dress, color schemes, and presentation of the Marks. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to such standards, specifications, and deadlines as we may specify as are standard to the System at the time. We may not require you to do so more than once every five years, unless sooner required by your real estate lease. (Franchise Agreement, Section 9.01)

## **Operations Manual**

The Operations Manual contains Standards and information on your other obligations under the Franchise Agreement. We reserve the right to modify or update the Operations Manual from time to time to reflect changes in our Standards, but the modifications or updates will not alter your status as a franchisee or your rights under the Franchise Agreement (except that the Franchise Agreement requires compliance with our Standards as set forth in the Operations Manual). You will be responsible for maintaining the confidentiality of the information in the Operations Manual, including by keeping the Operations Manual in a secure, access-restricted location. You may only disclose the contents of the Operations Manual to the Franchised Restaurant personnel who have a need to know specific information in the Operations Manual and who agree to keep such information strictly confidential. You are not permitted to print or copy or otherwise reproduce or record any portion of the Operations Manual. If you require a replacement copy of the Operations Manual, you will be required to pay our then-applicable replacement charge.

Although the Operations Manual may contain various personnel or security-related policies and procedures, such policies and procedures do not form a part of our Standards and are offered for your optional use only. You will be solely responsible for all personnel and security-related policies and procedures at the Franchised Restaurant, and you must determine whether and to what extent to make use of the optional policies and procedures included in the Operations Manual. We do not direct or control any labor or employment matters for our franchisees, who are solely responsible for such matters.

The Table of Contents for the Operations Manual, including the number of pages on each subject is included as Exhibit E to this disclosure document. As of the date of this disclosure document, the total number of pages in the Operations Manual is 34 pages.

## **Training**

Within 90 days prior to the opening of your Franchised Restaurant, you will be required to participate in our initial training program (the “Initial Training”). Your General Manager, Approved Operator (if applicable), and at least two other management level employees we approve, such as an assistant general manager and kitchen manager, must participate in the Initial Training, which consists of three weeks of training conducted at our Corporate Restaurant located in Minneapolis, Minnesota, or at another one of the Restaurants, via electronic media, or some combination of these options, in our discretion. The franchisee (or, with respect to entity franchisees, the Operating Partner or another entity representative approved by us) must also participate in the first week of the Initial Training. Any replacement General Manager or Approved Operator must complete the Initial Training Program to our reasonable satisfaction, and we may charge additional fees of \$500 per day for the training for this replacement General Manager or Approved Operator.

The table below provides information based on the Initial Training.

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## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Training On-The-Job	Location
Marketing	2	2	Electronically, Minneapolis, MN, or another Restaurant we designate
Systems, Technology and Reporting	2	8	Electronically, Minneapolis, MN, or another Restaurant we designate
Front of House Operations	1	40	Electronically, Minneapolis, MN, or another Restaurant we designate
Back of House Operations	1	30	Electronically, Minneapolis, MN, or another Restaurant we designate
Restaurant Management	4	30	Electronically, Minneapolis, MN, or another Restaurant we designate
<b>TOTAL HOURS:</b>	<b>10</b>	<b>110</b>	

The Initial Training consists of approximately three weeks of training, featuring classroom style and in-restaurant live training at our Minneapolis, Minnesota Corporate Restaurant or at another one of the Restaurants, in our discretion. We will not charge any fees for the first four members of your training group participating in the Initial Training, but we may charge additional fees of \$500 per day for every additional member of your training group. You will be responsible for all compensation and expenses (including travel, meals and lodging) incurred by you and your training group in attending any training programs. The Initial Training is provided on a rolling, as-needed basis in the 90-day period prior to the opening of your Franchised Restaurant.

The principal personnel who will be involved in providing the Initial Training are:

*Chief Restaurant Officer: Travis Moe.* Mr. Moe has more than two years of experience with us, more than five years of experience with our affiliate C&G, and more than 20 years of experience in the industry. Mr. Moe became our Chief Restaurant Officer in April 2022. Previously, he was our affiliate's Director of Franchise Support from July 2021 to April 2022 and Director Operations from November 2018 to July 2021. Mr. Moe previously worked for Chipotle from 2000 through 2017. During his tenure with Chipotle, he served in many roles including General Manager, Regional Training Consultant, Team Leader/Area Manager, and Team Director.

The training that we provide is subject to change and may be offered by any of these personnel or by such individuals as we may designate from time to time. Training may also be conducted by qualified

employees of ours who have at least one year of experience with the System, at our corporate headquarters or at such other location that we designate.

In addition to the Initial Training, subject to our staff's availability, a minimum of one member of our staff will provide additional training to you, your Operating Partner, your General Manager, your Approved Operator (if applicable), your assistant managers, and your employees in onsite at your Franchised Restaurant in connection with your grand opening (the "Opening Training"). The Opening Training will consist of seven days of onsite training immediately surrounding your grand opening. We will not charge you for the first seven days of Opening Training. However, if we determine that additional Opening Training is necessary to ensure a smooth opening of your Franchised Restaurant, such additional training will be provided at a cost of \$500 per day for each individual we send to assist you. You will be responsible for all compensation and expenses incurred by you and your personnel in connection with the Opening Training, as well as comped meals in your Franchised Restaurant when our team is onsite.

Periodically, we may offer additional training programs, and periodic conferences and conventions, and we may charge a fee for attending these training programs. Neither you nor your employees will receive any compensation from us for services performed during training. You must also pay the travel and living expenses and supply costs for your attendees during any training programs. Additionally, if at any time during the operation of your Franchised Restaurant, you request that we provide additional assistance or training, or if we determine that you require additional assistance or training, you must pay our then-current per diem training fee for each trainee, currently \$500 per day per person, and you must reimburse us for all out of pocket costs and expenses incurred by our trainers associated with the additional training, including lodging, meals, and travel arrangements. If you designate a new General Manager or Approved Operator (if applicable) after the initial training program, the new General Manager or Approved Operator must complete the initial training program to our satisfaction within 30 days. We reserve the right to charge a fee to train any replacement General Manager or Approved Operator.

It is your responsibility to ensure that all your employees are trained in our systems and procedures and that our systems and procedures are utilized at the Franchised Restaurant. We may audit the Franchised Restaurant at any time to ensure compliance with our systems and procedures.

## **ITEM 12 TERRITORY**

### **Under an Area Development Agreement**

If you enter into an Area Development Agreement, you will receive the right to develop and operate Franchised Restaurants in an agreed upon specified geographic area. The number of locations you must open in a particular area will vary depending on the area. We will negotiate this number with you. We will designate the area at the time you sign your Area Development Agreement. This area is referred to in your Area Development Agreement as the "Development Area." The deadlines by which you must sign each franchise agreement and open each Franchised Restaurant (the "Development Schedule") will be designated in the Area Development Agreement.

As long as your Area Development Agreement is in effect, and you are not in default under the Area Development Agreement or any other agreement with us, then except as described below we will not grant to anyone else a franchise to operate, and we will not operate, a PURALIMA Cantina restaurant physically located in your Development Area prior to the earlier of (i) the expiration or termination of the Area Development Agreement, and (ii) the date on which you must sign the franchise agreement for your last Franchised Restaurant according to the Development Schedule. This is the only restriction on us in

your Development Area. We can exercise any of the rights in your Development Area that are discussed below for a Designated Area.

If you fail to meet the Development Schedule or otherwise breach your Area Development Agreement, you will lose your right to continue to develop Franchised Restaurants in your Development Area. The Area Development Agreement does not grant any options, rights of first refusal, or similar rights to you to acquire additional development rights in the Development Area or contiguous areas. You do not have the right to change your Development Area. If the Development Area covers more than one city, county, or designated market area, the protection for each particular city, county or designated market area will also expire on the date when we determine the designated area to be given to you under a franchise agreement for your final Franchised Restaurant to be developed in that city, county, or designated market area.

### **Under a Franchise Agreement**

You are permitted to operate the Franchised Restaurant only at an approved site. If the Franchised Restaurant's lease expires or is terminated without your fault, or if the Franchised Restaurant is destroyed, condemned, or otherwise rendered unusable, we may allow you to relocate the Franchised Restaurant to a new site acceptable to us at your sole expense.

Once the site for your Franchised Restaurant has been approved by us and added to the Franchise Agreement as the premises, we will define your "Designated Area" in Exhibit B to the Franchise Agreement. Your Designated Area will generally consist of a one- to three-mile radius around the site of your Franchised Restaurant (although this may be less in densely populated areas) and will be illustrated on a map. The size and shape of your Designated Area will be based on our current criteria for size, demographics, and topological features.

As long as you are in compliance with the Franchise Agreement and all other agreements between you and your affiliates, on the one hand, and us or one or more of our affiliates, on the other hand, we will not operate (directly or through an affiliate), or grant a third party the right to operate, a Restaurant within your Designated Area (other than at Non-Traditional Sites, as defined below) during the term of the Franchise Agreement and Area Development Agreement. Other than as described in the immediately preceding sentence, your rights under the Franchise Agreement are non-exclusive, meaning that our and our affiliates' activities are unrestricted. By way of example and without limitation, we and our affiliates are permitted, and we specifically reserve the right, to:

- Establish and operate, or authorize others to establish and operate, Restaurants physically located at Non-Traditional Sites, whether or not within your Designated Area or Development Area, on any terms and conditions we deem appropriate;
- Establish and operate, or authorize others to establish and operate, Restaurants physically located outside of your Designated Area and Development Area on any terms and conditions we deem appropriate;
- Sell delivery and catering services, and authorize others to sell delivery and catering services, into your Designated Area and Development Area, on any terms and conditions we deem appropriate;
- Use other channels of distribution, such as the internet, grocery stores, convenience stores, kiosks, telemarketing, newspapers, or other direct marketing sales channels, to sell products and services to customers located in any place (inside or outside your Designated Area or

Development Area) using the Marks and other trademarks and service marks associated with Restaurants, or using any other trademarks, servicemarks, and other source identifiers, and authorize any other person to do any of the foregoing;

- Own and operate businesses that offer Latin-themed food and/or related services and products that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, and either continue to operate them independently, or convert them to businesses or franchises under the Marks, even if they are located within your Designated Area or Development Area;
- Establish and operate, or grant others the right to operate, other restaurants not identified with the PURALIMA™ or PURALIMA Cantina™ brands (even those that offer products or services that may compete with the products or services sold in your Franchised Restaurant) in any location, including within your Designated Area or Development Area;
- Acquire the assets or ownership interests in one or more businesses and convert such businesses into Restaurants wherever they are located, including within your Designated Area or Development Area;
- Be acquired by a business providing products and services similar to those provided at Restaurants or by another business, even if the acquiring business operates, franchises, or licenses restaurants that are competitive with your Franchised Restaurant in your Designated Area or Development Area; and
- Engage in all other activities that the Franchise Agreement and Area Development Agreement do not expressly prohibit.

Certain sites, locations, or venues have characteristics that make them distinct from locations that could generally be developed into Restaurants, such as sites that independently generate customer traffic flow separate from the general customer traffic flow of the surrounding area, or that by their nature are not tied to a particular physical location (“Non-Traditional Sites”). Non-Traditional Sites include: military bases; shopping malls (whether open-air or enclosed); large big-box retail outlets; transportation-related venues (e.g., airports, train or bus stations, marinas, travel plazas or toll roads); sports or entertainment venues (e.g., stadiums, arenas, concert halls); major industrial or office complexes, hotels, educational facilities (e.g., school, college, and university campuses); casinos; fitness centers, hospitals and related rehabilitation or healthcare facilities; governmental institutions; amusement or recreational facilities (e.g., theme parks, outdoor municipal parks, zoos, or museums); grocery stores or departments stores; mobile-based channels of distribution (e.g., food trucks); and any co-branding locations or business endeavors where a Restaurant’s operations are inextricably associated with, or such operations are contained within or sharing the same physical building or operational premises as, another business (such as, for example and without limitation, a gas/convenience store or another restaurant concept). Non-Traditional Sites are specifically excluded from your Designated Area and Development Area, meaning that we have the right to develop Restaurants or license to others the right to develop Restaurants at Non-Traditional Sites located within the borders of your Designated Area or Development Area.

Because we and others may establish and operate Restaurants at Non-Traditional Sites in your Designated Area or Development Area, and because of the reserved rights above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control. We do not have to pay you if we solicit or accept orders from inside your Designated Area or Development Area.

You are not restricted from accepting orders from consumers outside of your Designated Area. You must provide catering services and/or delivery services from your Franchised Restaurant in accordance with our standards and requirements. Generally, you determine the area within which you will offer catering or delivery services, provided that you must ensure your customers receive at all times high quality food and beverage products prepared and maintained in accordance with our specifications. However, you are prohibited from engaging in any marketing, advertising, or solicitation activities of any kind in the Designated Area of another Restaurant unless such activities are conducted with other appropriate franchisees pursuant to a Local Marketing Cooperative. Other franchisees may similarly provide catering and delivery services in your Designated Area without compensation to you. You are also prohibited from using other channels of distribution, such as the internet, newspapers, catalog sales, telemarketing, or other direct marketing, to make sales (as opposed to advertising and marketing), whether inside or outside of your Designated Area, without our prior written approval. Aside from catering services, you are permitted to provide off-premises services only with our written consent.


You have no options, rights of first refusal, or similar rights to acquire additional franchises under the Franchise Agreement. Continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency. We may not alter your Designated Area or your territorial rights without your consent unless we terminate the Franchise Agreement. There are no minimum sales conditions.

Except for our affiliate C&G's offer for sale of franchised restaurants under the CRISP & GREEN trademark featuring a selection of signature salads, grain bowls, smoothies and related food products, neither we nor our affiliates have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell, but we may do so in the future. In addition to offering franchised restaurants, C&G may through affiliates operate Crisp & Green Locations. Crisp & Green Locations may solicit or accept orders within your Designated Area and Development Area. C&G has offered, and is offering, franchises as of the date of this disclosure document. Day-to-day franchisor support for the Crisp & Green brand is provided by a distinct team, and due to the separate brand identity and unique and distinct product offerings of Crisp & Green Locations, we do not anticipate conflicts between your Franchised Restaurants and Crisp & Green Locations, with respect to territories or customers. C&G has the same principal address as ours. We do not maintain physically separate offices and classroom training facilities from C&G, but in-restaurant training will be held in physically separate locations.

### **ITEM 13 TRADEMARKS**

Pursuant to the Franchise Agreement, you will have the right to operate a Restaurant under the names "PURALIMA" and/or "PURALIMA Cantina". You may also use our other current or future trademarks associated with the System to operate your Franchised Restaurant (collectively, the "Marks"). By "trademark," we mean trade names, trademarks, service marks, trade dress, and logos used to identify PURALIMA Cantina™ Restaurants. All of the Marks are owned by our Parent, PURALIMA LLC, and licensed to us pursuant to a Trademark License Agreement dated February 6, 2023 (the "Trademark License Agreement"). The Trademark License Agreement continues for an indefinite term, provided that it may be terminated upon the mutual agreement of us or our Parent, or by our Parent in the event we default under the Trademark License Agreement and do not cure such default. Our Parent has the right to approve all proposed uses of the Marks. Because we are a wholly owned subsidiary of our Parent and our Parent maintains ownership of the Marks, we do not anticipate an effect on your rights to use the Marks if the Trademark License Agreement is terminated. No other agreement limits our right to use or sublicense the Marks. Our Parent has filed, and intends to continue to file, all affidavits and other documents required to maintain its interest in and to the Marks.

Our Parent has applied for the following registrations for the Marks:

<b>Trademark</b>	<b>Register</b>	<b>Application Date</b>	<b>Serial Number</b>
PURALIMA	USPTO Principal Register	January 25, 2023	97767973
PURALIMA CANTINA	USPTO Principal Register	January 25, 2023	97768145
	USPTO Principal Register	February 6, 2023	97782720

As the applications for these Marks are pending, these Marks are not federally registered. These unregistered Marks do not have many of the legal benefits and rights of federally registered trademarks. If our right to use our unregistered Marks were challenged, you may be required to cease using such unregistered Marks and may be required to use an alternative mark instead, which could increase your expenses.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, and there is no pending infringement, opposition, or cancellation proceedings or material federal or state court litigation, involving the Marks. All required affidavits have been filed. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks.

You must follow our rules and other Standards when using the Marks. If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs that you incur in changing the signs or replacing supplies for the Franchised Restaurant), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

You must notify us immediately of any actual or apparent infringement of or challenge to your use of any Mark or of any person's claim of any rights in any Mark (or any identical or confusingly similar trademark) or claim of unfair competition relating to any Mark. You may not communicate with any person other than us and our Parent, our and its attorneys, and your attorneys, regarding any infringement, challenge or claim. We and our Parent may take the action that we or our Parent deems appropriate (including no action) and control exclusively any litigation, USPTO proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions that, in our or our Parent's attorneys' opinion, are necessary or advisable to protect and maintain our and our Parent's interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our and our Parent's interests in the Marks.

We need not protect your right to use the Marks nor protect you against claims of infringement or unfair competition arising from your use of the Marks. We will indemnify you against costs, expenses, and damages for which you are held liable in a proceeding arising out of your use of the Marks only if (i) your use of the Marks that is the subject of the proceeding was authorized and in accordance with the terms of the Franchise Agreement, (ii) you timely notified us of the claim against you, and (iii) you and your owners and affiliates are in compliance with all agreements with us.



## **ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are not currently any registered patents or copyrights that are material to the franchise, nor are there any pending applications for any such patents or copyrights, and you do not receive the right to use any registered patents or copyrights. However, we do claim copyright ownership and protection for various elements of our Marks and for our Operations Manual, website, training materials, and other materials.

There are currently no effective material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or any other similar regulatory body or court, relating to any patent or copyright of ours, or to any application of ours for any patent or copyright. There are no agreements that limit our rights to use or license the use of any patents or copyrights, and we do not know of any infringing uses that could materially affect your use of any patent or copyright pursuant to the Franchise Agreement.

We claim proprietary rights in trade secrets and other confidential information relating to the development and operation of Restaurants and our franchise system. Some of this confidential and proprietary information will be communicated to you in our Operations Manual and in other manuals, guides, and specifications that we provide to you from time to time. Such confidential and proprietary information includes, without limitation: (1) ingredients, recipes, and methods of preparation and presentation of food products we authorize; (2) site selection criteria for Restaurants and plans and specifications for the development of Restaurants; (3) sales, marketing and advertising programs and techniques for Restaurants; (4) identity of suppliers, and knowledge of specifications and pricing for food products, materials, supplies and equipment, we authorize; (5) knowledge of operating results and financial performance of Restaurants, other than the Franchised Restaurant and other Restaurants you own; (6) methods of inventory control, storage, product handling, training and management relating to Restaurants; (7) computer systems and software programs; and (8) any and all other information we provide you, your owners, or your affiliates that is designated by us as proprietary or confidential, or that by its nature would reasonably be understood to be proprietary or confidential, whether or not such information is specifically designated as proprietary or confidential. The Franchise Agreement contains restrictions on your use of our confidential and proprietary information.

You must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of confidential information, including requiring you, your owners, officers, directors, and your key employees to sign confidentiality, non-competition, and non-solicitation agreements in the form(s) approved by us which will prohibit them from directly or indirectly engaging in activities that compete with the operations of your Franchised Restaurant or any other Restaurants, disclosing our confidential and proprietary information and trade secrets, and soliciting certain of our affiliates' employees and certain key employees of other Restaurants. You must deliver copies of such agreements to us at our request.

You must promptly disclose to us all recipes, processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques or materials that are used or useful to a fast-casual restaurant business and that you create (or that an owner or employee creates for you) in connection with the development or operation of your Franchised Restaurant. All such materials will become our sole and exclusive property, will be works-made-for-hire for us, and at our option will become a part of the System. You may not use any of such materials in the operation of your Franchised Restaurant without our prior approval. If such items do not fall within the "work made-for-hire" doctrine, you or your owners, directors, officers, employees, or contractors, as applicable, will be required to execute documents

acceptable to us in our discretion assigning such items to us. You will be responsible for ensuring such documents are executed and delivered to us on a timely basis.

At the end of the term of the Franchise Agreement, you must also deliver to us all of our confidential information and Operations Manuals in your possession.

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

We expect only business entities, and not individuals, to sign the Franchise Agreement. Each entity must designate an Operating Partner who must meet with our approval. The Operating Partner must maintain a substantial (generally at least 5%, although we will make case-by-case determinations in our discretion) direct or indirect ownership interest in you, be the General Manager of your Franchised Restaurant or (with our prior approval) designate another person meeting with our approval to be the General Manager of your Franchised Restaurant. If you will develop multiple Franchised Restaurants pursuant to an Area Development Agreement, your Operating Partner will be your Approved Operator unless (with our prior approval) you designate another person meeting with our approval to be your Approved Operator. Your Operating Partner must participate in and complete our Initial Training, and must have the authority to make decisions on your behalf and bind you with respect to matters and agreements between you and us.

Your Franchised Restaurant must be managed and supervised by a General Manager, who will be your Operating Partner unless we have agreed otherwise with your Operating Partner. If you operate multiple Franchised Restaurants pursuant to an Area Development Agreement, you must designate a General Manager that meets our approval for each Franchised Restaurant. Your General Manager will be responsible for all day-to-day operations of your Franchised Restaurant and must be your employee subject to your supervision and direction. Your General Manager must exert his or her full time best-efforts to the development and operation of your Franchised Restaurant and must attend and complete the Initial Training and all other training programs that we require from time to time. The General Manager must have the authority to make all day-to-day operational decisions affecting your Franchised Restaurant, and may not engage in any other business activity, directly or indirectly, that requires substantial management responsibility or time commitments or that otherwise interferes with his or her role as your General Manager. We may charge you a fee of up to \$500 per day for any day in which you operate the Franchised Restaurant without an approved General Manager in place who has completed our required training programs.

If you will operate multiple Franchised Restaurants pursuant to an Area Development Agreement, you must designate an operator who will be responsible for the day-to-day development and operations of multiple Franchised Restaurants (an "Approved Operator"). Unless we otherwise approve, your Operating Partner will be your Approved Operator. All approvals are given in our sole discretion, and we do not guarantee that you will be allowed to have an Approved Operator other than your Operating Partner. Your Approved Operator must meet qualification standards that we establish from time to time, must exert his or her full time best-efforts to the development and operations of your multiple locations, and must attend and complete the Initial Training and all other training programs that we require from time to time. Your Approved Operator will be responsible for, among other things, supervising the General Managers of each of your Franchised Restaurants, meeting all development opening deadlines, and ensuring your Franchised Restaurants are operating in a uniform and efficient manner and complying with our Standards. If your Approved Operator is other than your Operating Partner, your Approved Operator must be your employee subject to your supervision and direction. The Approved Operator must have the authority to make operational decisions affecting your Franchised Restaurants, and may not engage in any other business

activity, directly or indirectly, that requires substantial management responsibility or time commitments or that otherwise interferes with his or her role as your Approved Operator.

If your General Manager or Approved Operator ceases to be employed by you for any reason, you must replace such General Manager or Approved Operator within 30 days, commence training such replacement General Manager or Approved Operator on the System, have such replacement General Manager or Approved Operator come to such location as we designate for our initial training program, and otherwise meet our then-current standards. You are responsible for all related travel and living expenses and wages incurred in connection with your replacement General Manager or Approved Operator attending these training sessions, as well as our per diem training fee.

Your Operating Partner, Approved Operator, and General Manager, along with all of your other officers, directors, governors, owners, managers, instructors, and employees who have access to our confidential and proprietary information must execute a written agreement in a form we prescribe to maintain the confidentiality of the confidential and proprietary information described in Item 14.

In addition, if you are an entity, each of your Principal Owners and their spouses will be required to guaranty your obligations under the Franchise Agreement by executing an Owners' Personal Guaranty of Franchisee's Obligations, in the form attached to the Franchise Agreement. A Principal Owner, as defined in the Franchise Agreement, is generally any person that holds 10% or more of the legal or beneficial ownership interest or voting interest in you or in any entity that, directly or indirectly, has the power to influence your management decisions. In certain circumstances we may also specify persons or entities who would not otherwise meet the definition of "Principal Owner" as a Principal Owner based on their financial or managerial qualifications or experience if those qualifications or experience are a basis for our entering into the Franchise Agreement with you. In addition to guaranteeing your obligations under the Franchise Agreement, Principal Owners and their spouses are also subject to certain direct obligations under the Franchise Agreement, including certain non-compete obligations.

#### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale at or through your Franchised Restaurant all products and services that we specify from time to time. You are prohibited from offering for sale, selling, or distributing any other products or services apart from those we specify from time to time, and you are prohibited from engaging in any marketing, advertising, or solicitation activities of any kind in the Designated Area of other Restaurants unless such activities are conducted with other appropriate franchisees pursuant to a Local Marketing Cooperative. We may make changes, updates, and modifications to the products and services that we require you to provide at any time and from time to time, without limitation.

The products and services that we require you to provide include our menu of food items sold for purchase and consumption at the premises or on a "to-go" basis, food items sold for consumption off the premises, gift certificates and vouchers, apparel and accessories, catering and delivery services, and other goods and services that we specify from time to time. You must provide all goods and services in accordance with our Standards.

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**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

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

**THE FRANCHISE RELATIONSHIP**

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 2.01 – Franchise Agreement	The franchise has an initial 10-year term.
	Sections 3.A and 4 and Rider – Area Development Agreement	The term of an Area Development Agreement depends on the number of franchises to be developed under the Area Development Agreement. It will typically be between 1 and 5 years.
b. Renewal or extension	Section 15 – Franchise Agreement	If you are in good standing, upon expiration of your original Franchise Agreement and unless we advise you otherwise at least 90 days prior to the expiration of the term or unless you advise us otherwise at least 180 days prior to the expiration of the term, you will automatically acquire a successor franchise for a new 10 year term and will be required to sign the then current Franchise Agreement, which may contain terms and conditions that are materially different from, and less favorable to you than, those in your original Franchise Agreement.
	Area Development Agreement – Not Applicable	You cannot renew the Area Development Agreement.
c. Requirement for franchisee to renew or extend	Section 15 – Franchise Agreement	Franchisee must sign the then-current Franchise Agreement and pay a renewal fee equal to 50% of the then-current initial franchise fee. The then-current Franchise Agreement may have materially different terms and conditions than the initial Franchise Agreement. Franchisee must also remodel or upgrade the Franchised Restaurant in accordance with the specifications and standards then applicable for new Restaurants as we require. Franchisee and your Principal Owners must also execute general releases in favor of us and our affiliates. These terms are subject to applicable state law.
	Area Development Agreement – Not Applicable	You do not have the right to renew or extend the Area Development Agreement.

Provision	Section in Franchise or Other Agreement	Summary
d. Termination by franchisee	Franchise Agreement and Area Development Agreement – Not Applicable	You may terminate the Franchise Agreement or Area Development Agreement under any grounds permitted by law.
e. Termination by franchisor without cause	Franchise Agreement and Area Development Agreement – Not Applicable	Not applicable.
f. Termination by franchisor with cause <sup>(1)</sup>	<p>Sections 14.01 and 14.02 – Franchise Agreement</p> <p>Section 5 – Area Development Agreement</p>	<p>Subject to applicable law, we can terminate the Franchise Agreement only if you are in default and, if the default is curable, you have failed to cure the default within the applicable period of time. Certain defaults are not curable. If we elect to terminate the Franchise Agreement, termination will generally be effective upon notice to you. However, certain types of default result in automatic immediate termination under Section 14.01 without notice to you, such as: your failure to pay debts as they become due; a bankruptcy or insolvency judgment against you; filing of a bankruptcy or similar petition against you that isn't discharged within 30 days; appointment of a receiver or custodian over your assets; an unsatisfied judgment of \$25,000 or more remains outstanding for 30 days or more; attachment of your accounts or levy of execution against your business or property; the filing of foreclosure proceedings against your assets if not dismissed within 30 days; the dissolution or liquidation of your entity; and the "blocking" of your assets, property, or interests under laws and regulations relating to terrorist activities.</p> <p>Subject to applicable law, we can terminate the Area Development Agreement only if you are in default and, if the default is curable, you have failed to cure the default within the applicable period of time. Certain defaults are not curable. If we elect to terminate the Area Development Agreement, termination will generally be effective upon notice to you.</p> <p>The Franchise Agreement and the Area Development Agreement contain cross-default provisions.</p>

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
g. "Cause" defined – curable defaults <sup>(1)</sup>	<p>Section 14.02 – Franchise Agreement</p> <p>Section 5 – Area Development Agreement</p>	<p>Subject to any longer period required by applicable law, the following defaults are capable of cure within the time periods specified: failure to comply with our cleanliness and sanitation standards or violation of health, safety, or sanitation laws or regulations (24 hours to cure); failure, or blocking of Gross Sales reporting or failure to make payments to (10 days to cure); failure to make undisputed payments to suppliers unaffiliated with us (30 days after notice to cure); and failure to comply with our operating standards or procedures (30 days to cure after notice).</p> <p>Defaults not listed in section h. below are curable and you will have 30 days to cure, except that if the failure to comply is the 3<sup>rd</sup> failure to comply with any provision of any agreement that you or any of your affiliates have with us or an affiliate of ours within 12 consecutive months, then we need not provide any opportunity to cure.</p>



Provision	Section in Franchise or Other Agreement	Summary
i. Franchisee’s obligations on termination/non-renewal	<p>Sections 16.01 and 16.02 – Franchise Agreement</p> <p>Section 6 – Area Development Agreement</p>	<p>You must cease use of any Marks; authorize transfer of your telephone number to us; remove all furniture, fixtures, equipment, signs, décor, etc. that bear the marks or are distinctive of the System (unless we exercise our option to purchase the Franchised Restaurant); pay us all fees then owing; cease using and return to us all Confidential Information; cease all internet and social media communications relating to the Franchised Restaurant and authorize the transfer of any domain names associated with the Franchised Restaurant to us; cease using all software licensed by us or any of our affiliates; and provide us with satisfactory evidence you have performed all of the foregoing obligations. See also r below.</p> <p>You lose all remaining rights to develop Franchised Restaurants. You also pay as damages \$25,000 for each of the first two franchise agreements you failed to sign plus \$10,000 for each additional franchise agreement you failed to sign (subject to state law).</p>
j. Assignment of contract by franchisor	Section 18.09 – Franchise Agreement and Section 7.A – Area Development Agreement	No restriction on our right to assign.
k. “Transfer” by franchisee- defined	Section 1.01 – Franchise Agreement and Section 7.B – Area Development Agreement	Includes direct and indirect transfers and transfers of contract rights, assets or ownership interests.
l. Franchisor approval of transfer by franchisee	<p>Section 13.02 – Franchise Agreement</p> <p>Section 7.B – Area Development Agreement</p>	<p>We have the right to approve all transfers. If we do not exercise our right of first refusal, we will not unreasonably withhold consent (see also m and o below).</p> <p>We have the right to approve; you may not transfer only a portion of your rights.</p>
m. Conditions for franchisor approval of transfer	<p>Section 13.02 – Franchise Agreement</p> <p>Section 7.B – Area Development Agreement</p>	<p>Qualification of transferee, payment of transfer fee, execution of current Franchise Agreement by transferee, execution of releases by transferor (also see r below). Subject to applicable state law.</p> <p>You must sign franchise agreements for all remaining Franchised Restaurants you are permitted to develop, and you must transfer those agreements to the same person or entity to whom you are transferring the Area Development Agreement. You must meet any additional conditions we specify in the Operations Manual or otherwise in writing.</p>



Provision	Section in Franchise or Other Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.06 – Franchise Agreement  Area Development Agreement – Not Applicable	We have a right of first refusal to purchase the Franchised Restaurant upon the occurrence of a proposed transfer of the franchise for legal consideration. A transfer of the franchise includes: any change of 15% or more of the legal, beneficial, or voting interest in franchisee or any 10% or greater or controlling owner of franchisee; any merger, consolidation, or exchange involving franchisee or any 10% or greater or controlling owner of franchisee; any transfer or encumbrance of 10% or more, by value, of the assets of franchisee; and any transfer or encumbrance of 50% or more, by value, of the assets of any 10% or greater or controlling owner of franchisee.
o. Franchisor's option to purchase franchisee's business	Section 16.04 – Franchise Agreement  Area Development Agreement – Not Applicable	We have the right to purchase your Franchised Restaurant upon termination or expiration (without renewal) of the Franchise Agreement.
p. Death or disability of franchisee	Section 13.05 – Franchise Agreement  Section 7.B – Area Development Agreement	Franchise must be transferred to a third party approved by us within 9 months after death or permanent disability.  We must approve of the third party to whom the Area Development Agreement is transferred as a result of death or permanent disability.
q. Non-competition covenants during the term of the franchise	Section 7.02 – Franchise Agreement and Section 9 – Area Development Agreement	You may not have direct or indirect involvement in any competitive business anywhere in the U.S. For this purpose of this item q and item r below, a competitive business is a restaurant or similar food service provider deriving more than 20% of its revenue from the sale of either (1) Mexican-themed and/or Latin-themed foods; or (2) made-to-order food via counter-service; or some combination of the two; in a fast-casual, quick-service, drive-thru, catering or delivery format, and any party that grants franchises or licenses to operate such a business.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.03 – Franchise Agreement and Section 9 – Area Development Agreement	For 2 years after termination or expiration, you may not engage in a competitive business (defined in q above) at the premises or within 15 miles of another Restaurant (or within 10 miles of another Restaurant in certain metropolitan areas) or participate in the franchising or licensing of a competitive business.
s. Modification of agreement	Section 18.11 – Franchise Agreement and Section 9 – Area Development Agreement	The Franchise Agreement may not be modified except by a writing signed by us and you, but we may modify the System and the Operations Manual from time to time in our sole discretion.

Provision	Section in Franchise or Other Agreement	Summary
t. Integration/merger clause	Section 18.11 – Franchise Agreement and Section 9 – Area Development Agreement	The Franchise Agreement is the entire agreement between us. We make no representations other than those in the Franchise Agreement or this disclosure document. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 18.05 – Franchise Agreement and Section 9 – Area Development Agreement	Except for claims for injunctive relief we make seek against you, all disputes must be arbitrated in the city closest to our corporate headquarters (currently Wayzata, MN). Subject to applicable state law.
v. Choice of forum	Section 18.07 – Franchise Agreement and Section 9 – Area Development Agreement	Subject to applicable state law, disputes must be arbitrated or litigated in the city closest to our corporate headquarters (currently Wayzata, MN).
w. Choice of law	Section 18.08 – Franchise Agreement and Section 9 – Area Development Agreement	Subject to applicable state law, Minnesota law applies, provided that the Minnesota Franchise Act and other franchise-specific laws and regulations of the State of Minnesota generally do not apply to Restaurants located outside of Minnesota.

**Notes**

(1) If you operate multiple Franchised Restaurants pursuant to an Area Development Agreement, then, pursuant to Section 14.03 of each Franchise Agreement (i) a default under a Franchise Agreement signed pursuant to the Area Development Agreement will be a default under the Area Development Agreement as well, which may, depending upon the nature of the default, entitle us to terminate the Area Development Agreement, and (ii) a default under the Area Development Agreement will be a default under each Franchise Agreement subject thereto, which may, depending upon the nature of the default, entitle us to terminate each such Franchise Agreement. Notwithstanding the foregoing, in the event that the Area Development Agreement is terminated as a result of the failure to comply with the Development Schedule set forth therein, such termination of the Area Development Agreement will not result in a termination of a Franchise Agreement if you have fully performed and otherwise been in compliance with all of your obligations under such Franchise Agreement.

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the

actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets, or outlets owned by our Parent. 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 Steele Smiley, PURALIMA Franchising LLC, 746 Mill Street E, Wayzata, MN 55391, 952-855-8400, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1  
Systemwide Outlet Summary  
For Years 2021, 2022, and 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company Owned*	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
<b>Total Outlets</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>1</b>	<b>+1</b>

\* Corporate Restaurants are owned and operated by our affiliates.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2021, 2022, and 2023**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
<b>Total</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**Table No. 3  
Status of Franchised Outlets  
For Years 2021, 2022, and 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
<b>Totals</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2021, 2022, and 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Minnesota	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
<b>Totals</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

**Table No. 5  
Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Minnesota	6	2-3	0
<b>Total</b>	<b>6</b>	<b>2-3</b>	<b>0</b>

**Contact Information for Current Franchisees**

Exhibit F to this disclosure document sets forth the names of all of our current franchisees and the address and telephone number of each franchised Restaurant operated by such franchisees.

## **Contact Information for Former Franchisees**

We do not have any franchisees or former franchisees who have signed confidentiality clauses that prohibit their ability to speak openly about their experience with us during the last three fiscal years. Exhibit F to this disclosure document set forth the name, city and state, and current business telephone number of all franchisees who have had an outlet terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who have not communicated with us in within 10 weeks of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

## **Franchisee Associations**

There is currently no trademark-specific franchisee organization associated with the System.

## **ITEM 21 FINANCIAL STATEMENTS**

Our audited financial statements for our fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021, are attached as Exhibit G to this disclosure document. Because we were organized in September 2021, and have not been in business for three years or more, we cannot include all financial statements required in paragraphs (u)(1)(i) and (ii) of 16 C.F.R. 436.5 (the applicable provision in the FTC's Amended Franchise Rule). Our fiscal year end is December 31. We are also attaching our interim balance sheet as of March 31, 2024. THE INTERIM BALANCE SHEET IS PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE CONTENT OR FORM.

## **ITEM 22 CONTRACTS**

The following contracts and their attachments and exhibits are attached as exhibits to this disclosure document:

1. Franchise Agreement (Exhibit B). The following additional contracts or agreements are attached to the Franchise Agreement:

- Exhibit A: Franchisee Ownership Information;
- Exhibit B: Franchised Restaurant Information
- Exhibit C: Franchise Addendum to Lease Agreement
- Exhibit D: Form of Non-Competition, Non-Disclosure, Proprietary Rights Agreement
- Exhibit E: Owners' Personal Guaranty of Franchisee's Obligations
- Exhibit F: Franchisee Acknowledgment [Not applicable in CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA and WI]

2. Area Development Agreement (Exhibit C). The following additional contracts or agreements are attached to the Area Development Agreement:

- Area Development Agreement Rider
- Exhibit A: Personal Guaranty

3. Example Letter of Intent (Exhibit D)

**ITEM 23  
RECEIPTS**

Two copies of an acknowledgement of your receipt of this disclosure document are attached as Exhibit I. Please return one copy to us and retain the other for your records.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**EXHIBIT A  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**List of State Administrators and Agents for Service of Process**

The following list of State Administrators contains the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of the below listed states.

**STATE ADMINISTRATORS**

CALIFORNIA

Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500 or (866) 275-2677

HAWAII

Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2744

INDIANA

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

MICHIGAN

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
G. Mennen Williams Building  
525 West Ottawa Street  
Lansing, Michigan 48909  
(517) 335-7622

NEBRASKA

Department of Banking and Finance  
1526 "K" Street, Suite 300  
P.O. Box 95006  
Lincoln, Nebraska 68508-2732  
(402) 471-3445

FLORIDA

Florida Department of Agriculture and Consumer  
Services  
Division of Consumer Services  
400 South Monroe Street  
Tallahassee, Florida 32399  
(850) 410-3800

ILLINOIS

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

MARYLAND

Office of Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

MINNESOTA

Minnesota Department of Commerce  
Securities Division  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

NEW YORK

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Fl.  
New York, New York 10005  
(212) 416-8222

NORTH CAROLINA

Department of the Secretary of State  
Business Opportunities  
2 South Salisbury Street  
Raleigh, North Carolina 27601-2903  
P.O. Box 29622  
Raleigh, North Carolina 27626-0622  
(919) 814-5400

RHODE ISLAND

Department of Business Regulation  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9527

SOUTH DAKOTA

Department of Labor and Regulation  
Division of Securities  
124 S. Euclid, 2<sup>nd</sup> Floor  
Pierre, South Dakota 57501  
(605) 773-3563

VIRGINIA

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

WISCONSIN

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703  
(608) 266-1064

NORTH DAKOTA

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

SOUTH CAROLINA

SC Secretary of State's Office  
Attn: Business Opportunities  
1205 Pendleton Street, Suite 525  
Columbia, South Carolina 29201  
(803) 734-0367

TEXAS

Secretary of State  
Statutory Documents Section  
1019 Brazos  
Austin, Texas 78711  
(512) 475-1769

WASHINGTON

Securities Administrator  
Department of Financial Institutions  
Securities Division  
P.O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8700



The following list contains agents for service of process that we have appointed in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

### **AGENTS FOR SERVICE OF PROCESS**

#### CALIFORNIA

California Commissioner of Department of Financial Protection and Innovation  
Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344

#### ILLINOIS

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

#### MARYLAND

Office of Attorney General  
Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

#### MINNESOTA

Minnesota Commissioner of Commerce  
Department of Commerce  
Securities Division  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101

#### NORTH CAROLINA

Secretary of State  
State of North Carolina  
2 South Salisbury Street  
Raleigh, North Carolina 27601-2903

#### RHODE ISLAND

Director of Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, Rhode Island 02920

#### HAWAII

Hawaii Commissioner of Securities  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813

#### INDIANA

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

#### MICHIGAN

Michigan Department of Commerce  
Corporations, Securities & Commercial Licensing  
Bureau  
2407 North Grand River Avenue  
Lansing, Michigan 48906

#### NEW YORK

Secretary of State  
99 Washington Avenue  
Albany, New York 12231

#### NORTH DAKOTA

North Dakota Securities Commissioner  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510

#### SOUTH DAKOTA

Director of South Dakota Division Securities  
Department of Labor and Regulation  
124 S. Euclid, 2<sup>nd</sup> Floor  
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State Corporation Commission  
1300 East Main Street, First Floor  
Richmond, Virginia 23219

WASHINGTON

Director,  
Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

WISCONSIN

Administrator, Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705

**EXHIBIT B  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**Franchise Agreement (including Exhibits and state-specific addenda)**

**PURALIMA™ FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

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FRANCHISEE

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RESTAURANT LOCATION

**PURALIMA FRANCHISING LLC**  
**FRANCHISE AGREEMENT**  
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- EXHIBIT B – Franchised Restaurant Information
- EXHIBIT C – Franchise Addendum to Lease Agreement
- EXHIBIT D – Non-Competition, Non-Disclosure, and Proprietary Rights Agreement
- EXHIBIT E – Owners’ Personal Guaranty of Franchisee’s Obligations
- EXHIBIT F – Franchisee Acknowledgment

State Specific Addenda to the Franchise Agreement



# PURALIMA FRANCHISING LLC

## FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into by and between **PURALIMA FRANCHISING LLC** (“Franchisor,” “we,” or “us”), a Minnesota limited liability company, with its principal place of business located 746 Mill Street E, Wayzata, Minnesota 55391, and \_\_\_\_\_ (“Franchisee” or “you”), a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_, as of the date signed by us and set forth below our signature on this Agreement (the “Effective Date”).

### 1. **INTRODUCTION.**

**1.01 Restaurants.** We or our Affiliates own, operate and franchise PURALIMA Cantina™ and/or PURALIMA™ branded restaurants, which are upscale, fast-casual restaurants featuring exceptional, healthy Latin-themed food and related food products that are made-to-order with fresh, high-quality ingredients and assembled in front of our guests behind a service counter. We have developed and own a comprehensive System (defined below in Section 1.04) for developing and operating Restaurants.

**1.02 Your Acknowledgments.** You have read this Agreement and our Franchise Disclosure Document. You understand the terms of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high quality standards at all Restaurants in order to protect the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the restaurant industry is highly competitive, with constantly changing market conditions. You recognize that the nature of restaurants may change over time, that an investment in a Restaurant involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts and financial resources. You have not received or relied on: (a) any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement; or (b) any promises that any parent company or Affiliate will back us up financially or otherwise guarantee our performance. You or your Principal Owners shall truthfully fill out the Franchisee Acknowledgment attached hereto as Exhibit F.

**1.03 Your Representations.** You and your Principal Owners, if applicable, represent and warrant to us that: (a) neither you nor any of your Principal Owners has made any untrue statement of any material fact or has omitted to state any material fact in obtaining the rights granted hereunder; (b) neither you nor any of your Principal Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in your franchise application submitted to us; and (c) the execution and performance of this Agreement will not violate any other agreement to which you or of any of your Principal Owners may be bound. You recognize that we have approved your franchise application in reliance on all of the statements you and your Principal Owners have made in connection therewith.

**1.04 Certain Definitions.** The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

**“Affiliate”** – Any person or Entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an Entity, whether through ownership of voting securities, by contract or otherwise.

**“Catering Service”** – The delivery of food and beverage products which are prepared or partially prepared at the Franchised Restaurant and delivered to customers at locations other than the Restaurant’s site, where, in addition to delivering such products, Franchisee provides ancillary services (such as setting up for, serving or otherwise distributing such food and beverage products) at such locations.

**“Competitive Business”** – Any business that: (i) operates as a restaurant or similar food-service provider and derives more than twenty percent (20%) of its revenue from selling either (1) Mexican-themed or Latin-themed foods; or (2) made-to-order food via counter-service; or some combination of (1) and (2); in a fast-casual, quick-service, drive-thru, catering or delivery format; or (ii) grants franchises or licenses to others to operate the type of business specified in clause (i) (other than a “PURALIMA CANTINA” or “PURALIMA”-branded restaurant operated by us or our Affiliates, or under a franchise agreement with us).

**“Confidential Information”** – Our proprietary and confidential information relating to the development and operation of Restaurants, including: (1) ingredients, recipes, and methods of preparation and presentation of food products we authorize; (2) site selection criteria for Restaurants and plans and specifications for the development of Restaurants; (3) sales, marketing and advertising programs and techniques for Restaurants; (4) identity of suppliers, and knowledge of specifications and pricing for food products, materials, supplies and equipment, we authorize; (5) knowledge of operating results and financial performance of Restaurants, other than the Franchised Restaurant and other Restaurants you own; (6) methods of inventory control, storage, product handling, training and management relating to Restaurants; (7) computer systems and software programs; (8) the Operations Manual and all of its contents; and (9) any and all other information we provide you, your Principal Owners or Affiliates that is designated orally or in writing as proprietary or confidential, or by its nature would reasonably be understood to be proprietary or confidential, regardless of whether such information is specifically designated as proprietary or confidential.

**“Customer Data”** – Any information from, about, or relating to any person who has been a customer of your Franchised Restaurant that identifies, or can be used to identify, contact, locate, or be traced back to the specific person to whom such information pertains, or from which identification or contact information of an individual person can be derived. Customer Data includes any personally identifiable information, such as a person’s name, address, phone number, fax number, e-mail address, passport number, financial profile, credit card information, or any other information by which one is reasonably able to personally identify one or more individuals.

“Delivery Service” – The delivery of food and beverage products that are fully prepared at the Franchised Restaurant and ready for consumption to customers at locations other than the Franchised Restaurant’s site, where Franchisee delivers such food and beverage products but provides no ancillary services (such as setting up for, serving or otherwise distributing such food and beverage products) at such locations.

“Entity” – A corporation, limited liability company, partnership (general or limited), or any other form of entity that may be formed for the conduct of business under applicable law of its state or other jurisdiction of formation.

“Fiscal Year” – Our fiscal year, as we may determine at any time and from time to time, consisting of either 52 or 53 weekly periods (depending on the particular fiscal year), each containing seven (7) consecutive calendar days. Currently, the last day of our Fiscal Year occurs on that particular Monday, and the first day our next Fiscal Year occurs on that particular Tuesday, closest to December 31st in any calendar year (regardless of whether such days arise in late December of one calendar year or early January of the next calendar year).

“Franchise Disclosure Document” – The most recent version of the franchise disclosure document for Restaurants that we or our designee delivered to you, your Principal Owners, and/or your authorized representative.

“Franchised Restaurant” – The Restaurant we authorize you to operate at the Premises.

“Gross Sales” – All revenue derived from operating the Franchised Restaurant, including the aggregate of all sales amounts from food, beverages and other products sold and services rendered at the Premises or otherwise rendered in connection with the Franchised Restaurant, and all monies derived from sales at or away from the Franchised Restaurant, whether from cash, check, credit or debit card, barter exchange, trade credit, or other credit transactions, but: (1) excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority; and (2) reduced by the amount of any documented refunds, credits, allowances, adjustments, promotional discounts (including pursuant to the loyalty program), and charge-backs the Franchised Restaurant provides to customers in good faith. Each charge or sale upon credit is treated as a sale for the full price on the day during which that charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Generally, at the time and to the extent that transactions relating to coupons, gift certificates, gift cards, or vouchers result in the recognition of revenue under applicable accounting standards and the rules of our gift card program, that revenue will be included in Gross Sales for the month in which such revenue is recognized.

“Immediate Family” – Spouse, domestic partners, parents, siblings, children (including step-children, foster children, and adopted children), including any particular member thereof as may be referenced individually.

“Marks” – All trademarks, service marks, trade dress, and other commercial symbols that we currently authorize, or may in the future authorize, to identify, promote, and operate Restaurants and/or any services or products offered by Restaurants, including our distinctive layout, design and color scheme.

“Non-Traditional Sites” – Any sites, locations or venues that independently generate customer traffic flow separate from the general customer traffic flow of the surrounding area, or by their nature are not tied to a particular physical location, including, without limitation: military bases; shopping malls (whether open-air or enclosed); large big-box retail outlets; transportation-related venues (e.g., airports, train or bus stations, marinas, travel plazas or toll roads); sports or entertainment venues (e.g., stadiums, arenas, concert halls); major industrial or office complexes, hotels, educational facilities (e.g., school, college, and university campuses); casinos; fitness centers; hospitals and related rehabilitation or healthcare facilities; governmental institutions; amusement or recreational facilities (e.g., theme parks, outdoor municipal parks, zoos, or museums); grocery stores or departments stores; mobile-based channels of distribution (e.g., roving food trucks); and any co-branding locations or business endeavors where a Restaurant’s operations are inextricably associated with, or such operations are contained within or sharing the same physical building or operational premises as, another business (such as, for example and without limitation, a gas/convenience store or another restaurant concept).

“Operations Manual” – Our confidential operations manual, as we may amend at any time and from time to time, which may consist of one or more manuals, containing our mandatory and, as only where designated, suggested standards, specifications and operating procedures relating to the development and operation of Restaurants and other information relating to your obligations under this Agreement. The term “Operations Manual” also includes alternative or supplemental communications we or our representatives may transmit to you, whether in writing or through other media, which specifically reference that such communications shall be considered part of the Operations Manual, including bulletins, emails, limited access intranet sites, videotapes, audio tapes, or any other electronic medium.

“Operating Partner” – The individual identified in Exhibit A who we approve and who must: (a) have and maintain a substantial direct or indirect ownership interest in you; (b) be the General Manager of the Franchised Restaurant or designate another individual, subject to our approval, to serve as the General Manager of the Franchised Restaurant; (c) have the authority to make, and bind you to, all decisions regarding the relationship between you and us as reflected in this Agreement; (d) complete our training program to our satisfaction before engaging in his or her operational duties; and (e) if this Agreement is executed pursuant to a separate development agreement between us and you or your Affiliate for multi-unit development of Restaurants (an “Area Development Agreement”), be your Approved Operator, or designate another individual, subject to our approval, to serve as the Approved Operator.

“Principal Owner” – Collectively and individually, (i) if you are an individual, you and your spouse, and (ii) if you are an Entity, all individuals directly or indirectly holding ten percent (10%) or more of the legal or beneficial interests or voting interests in you or in any Entity directly or indirectly controlling you. As used in this definition, the terms “control” and “controlling” mean the power to influence the management decisions of the specified person. Control is deemed to exist where a person holds ten percent (10%) or more of the total legal or beneficial ownership interest or voting interest in you, serves on your board of directors or comparable governing body, or your officer, general partner, or manager. However, if we are entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or Entity who would not otherwise meet the foregoing definition of “Principal Owner,” we have the right to designate that person or Entity as a Principal Owner for

all purposes under this Agreement. Unless we expressly agree otherwise, each Principal Owner and his/her spouse will be required to execute and deliver to us: (1) the Non-Competition, Non-Disclosure and Proprietary Rights Agreement (Exhibit D) and (2) the Owners' Personal Guaranty of Franchisee's Obligations (Exhibit E) attached to the end of this Agreement.

"Restaurant" or "Restaurants" or "PURALIMA Cantina Restaurant(s)" – Restaurants that we or any of our Affiliates own, operate or franchise that use the Marks and System.

"System" – The business methods, designs and arrangements for developing and operating Restaurants, which include the Marks, building designs and layouts, equipment, ingredients, recipes, methods of preparation and specifications for authorized food products, methods of inventory control, marketing and advertising, and certain operating, service and business standards and policies, all of which we may improve, further develop or otherwise modify at any time and from time to time.

"Transfer the Franchise" – or similar words – The direct or indirect sale, assignment, transfer, exchange, conversion, license, sublicense, lease, sublease, mortgage, pledge, collateral assignment, grant of a security, collateral or conditional interest or other encumbrance in or on, or other disposition, whether voluntary, involuntary, by operation of law or otherwise, of this Agreement, any interest in or right under this Agreement, any form of legal or beneficial ownership interest in you or any Principal Owner, or any form of ownership interest or right to participate in or receive the benefit of the assets, revenues, income or profits of your Franchised Restaurant, or any one or more other acts or events not covered by the foregoing that we reasonably determine to be a form of direct or indirect transfer, including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest or voting interest in you or any Principal Owner, or of any interest convertible into or exchangeable for legal or beneficial ownership interest or voting interest in you or any Principal Owner, in each resulting (whether through a single transaction or a series of related transactions) in the transfer or issuance of fifteen percent (15%) or more of the legal or beneficial ownership interest or voting interest in you or any Principal Owner; (2) any merger or consolidation between you or any Principal Owner and another Entity, whether or not you or such Principal Owner, as applicable, are the surviving Entity, or any conversion of you or any Principal Owner from one form of Entity into another form of Entity, or any sale, exchange, encumbrance or other disposition of more than (A) ten percent (10%), by value, of your assets, or (B) fifty percent (50%), by value, of the assets of any Principal Owner; (3) any transfer by you or any Principal Owner in connection with or as a result of a divorce, dissolution of marriage or similar proceeding or a property settlement or legal separation agreement in the context of a divorce, dissolution or marriage or similar proceeding, an insolvency, bankruptcy or assignment for benefit of creditors, a judgment, a corporate, limited liability company or partnership dissolution or otherwise by operation of law; (4) any transfer by gift, declaration of trust, transfer in trust, revocation of trust, trustee succession, trust termination, discretionary or mandatory trust distribution, occurrence of any event (e.g., death of a person) that affects or ripens the rights of contingent beneficiaries, exercise of a power of appointment, exercise of a withdrawal right, adjudication of you or any Principal Owner as legally disabled, or upon or after your death or the death of any Principal Owner by will, disclaimer of the laws of intestate succession or otherwise; or (5) any foreclosure upon your Franchised Restaurant or the transfer, surrender or loss by you or any Principal Owner of possession, control or management of your Franchised Restaurant.

## 2. GRANT OF RIGHTS.

**2.01 Grant of Franchise.** You have applied for a franchise to own and operate a Restaurant at a location we approve, which will be identified on Exhibit B (the “Premises”). Subject to the terms of this Agreement, we grant to you the right, and you assume the obligation, to operate a Franchised Restaurant at the Premises and to use the System solely in connection therewith, for a term of ten (10) years, starting on the day the Franchised Restaurant opens to the public (the “Term”). You may not conduct the business of the Franchised Restaurant or use the System at any site other than the Premises, or relocate the Franchised Restaurant, without our prior written consent.

**2.02 Your Designated Area.** The Preliminary Designated Area identified on Exhibit B, if any, is the general location where you intend to secure the Premises for the Franchised Restaurant. If a Preliminary Designated Area is specified in Exhibit B, we will not grant anyone else the right to develop or operate a PURALIMA Cantina Restaurant in the Preliminary Designated Area for 60 days from the Effective Date of this Agreement. Once the Premises has been approved by us, you hereby authorize us to define in Exhibit B a “Designated Area” around the Premises; provided that such Designated Area will generally consist of a geographic area illustrated on a map whose boundaries will be designated based on our current criteria for size, demographics, and topographical features. Once defined in Exhibit B, your Designated Area will remain constant throughout the initial Term of this Agreement (unless you relocate the Franchised Restaurant and upon renewal or transfer). During the Term, and subject to the following Section 2.03, we will not establish (directly or through an Affiliate), or grant to a third party the right to establish, a PURALIMA Cantina Restaurant physically located within your Designated Area. You acknowledge and agree that we and our Affiliates have the right to develop and operate and grant others the right to develop and operate PURALIMA Cantina Restaurants outside the Designated Area, regardless of their proximity to the Designated Area or any negative impact they may have on your Franchised Restaurant.

**2.03 Our Reservation of Rights.** Other than as set forth in Section 2.02 above, we and our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all rights and discretion with respect to the Marks, the System, the sale of products and services similar or dissimilar to those offered by PURALIMA Cantina Restaurants, and the operation or franchising of PURALIMA Cantina Restaurants anywhere located or to be located, and may engage in any business activities whatsoever, within or outside the Designated Area, whenever and wherever we desire. Specifically, by way of example and without limitation, we reserve the following rights: (a) to establish and operate, and grant to others the right to operate, PURALIMA Cantina Restaurants physically located outside the Designated Area, on such terms and conditions as we deem appropriate (you acknowledge that such PURALIMA Cantina Restaurants may be in direct competition with your Franchised Restaurant, without regard to any adverse effects of such activities on your Franchised Restaurant and without any obligation or liability to you), which includes the right of us and others to perform Catering Services or Delivery Services in your Designated Area; (b) to establish and operate, and grant to others the right to operate, PURALIMA Cantina Restaurants, or other restaurants using any part or all of the System and/or Marks, that are located at or operated from Non-

Traditional Sites within or outside the Designated Area; (c) to sell any products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution, wherever located or operating (including, without limitation, the internet or similar electronic media and physical outlets like kiosks, convenience stores or supermarkets); (d) to establish and operate, and grant to others the right to operate, restaurants identified by trademarks, service marks or trade dress, other than the Marks (including the “PURALIMA Cantina” and “PURALIMA” names and marks), pursuant to such terms and conditions as we deem appropriate and wherever such restaurants are located, which restaurants may be located within the Designated Area; (e) to acquire the assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at PURALIMA Cantina Restaurants, and to franchise, license or create similar arrangements with respect to these businesses once acquired, and which businesses we may (at our sole discretion, and without obligation) convert, or allow to be converted, to operations as PURALIMA Cantina Restaurants using any of the Marks and/or the System, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Designated Area, if applicable); and (f) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at PURALIMA Cantina Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Designated Area.

You acknowledge and agree that, except as expressly granted to you in Section 2.02 hereof, your rights hereunder are non-exclusive and you have no rights under this Agreement to participate in or benefit from any other business activity we or any Affiliate of ours may undertake, regardless of whether such activity involves the Marks or the System. You waive, to the fullest extent permitted under applicable law, all claims, demands, or causes of action arising from or relating to any of the foregoing activities by us or any of our Affiliates in connection with our reserved rights under this Section 2.03.

### **3. DEVELOPMENT OF THE FRANCHISED RESTAURANT.**

**3.01 Site Acceptance Disclaimer.** You acknowledge and agree that, if we suggest, approve, or give you information regarding a site for the Premises, our action is not a representation or warranty of any kind, express or implied, of the site’s suitability for a Restaurant or any other purpose. We do not represent that we, or any of our Affiliates, owners, employees or agents, have special expertise in selecting sites. Our action indicates only that we believe that the site meets our then acceptable criteria and not that the Franchised Restaurant will be profitable or successful at the Premises. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we suggest or approve for the location of a Restaurant fails to meet your expectations. Accordingly, you acknowledge and agree that your acceptance of the franchise for a Restaurant pursuant to this Agreement is based on your own independent investigation of the site’s suitability for the Premises.

In consideration of our acceptance of the Premises, you and your Principal Owners release us, and our Affiliates, managers, officers, directors, governors, employees and agents from any and all loss, damage and liability arising from or in connection with the selection and/or acceptance of the Premises for development as a Restaurant.

**3.02 Selection of Premises.** If we have approved a location for the Franchised Restaurant before or concurrently with the execution of this Agreement, the Premises will be set forth on Exhibit B. If we and you have not agreed upon an approved location for the Franchised Restaurant before signing this Agreement, then you are responsible for selecting the site for the Franchised Restaurant within the Preliminary Designated Area set forth on Exhibit B. You agree to obtain our written approval of the Franchised Restaurant's proposed site before signing any lease, sublease, purchase contract or other document for the site (the "site acquisition documents").

You must locate and submit for our approval a site acceptable to us within the Preliminary Designated Area for the Franchised Restaurant. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. If you utilize a broker to identify a location, you will be responsible for any costs associated therewith. We will not unreasonably withhold our approval of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics.

You agree to send us a description of the proposed site, including a summary of the items listed above, along with a letter of intent or other evidence confirming your favorable prospects for purchase or lease of the proposed site. We will use reasonable efforts to approve or disapprove the proposed site within thirty (30) days after receiving your written proposal. If we do not approve of a proposed site, you must identify and notify us of new sites until we approve a site for the Franchised Restaurant. Upon our approval of a site, you agree that we will insert its address into Exhibit B, and it will be the Premises. The failure to insert such address into in Exhibit B shall not automatically affect the enforceability of this Agreement.

**3.03 Purchase or Lease of Premises.** We have the right to approve the terms of any site acquisition documents for the Premises. You must deliver to us a copy of the proposed site acquisition document. Within ten (10) days after our approval of the proposed site acquisition document, you must provide us with (1) a fully signed site acquisition document and (2) the franchise addendum to lease agreement attached hereto as Exhibit C, which contains certain required terms and provisions of the site acquisition document, fully executed by you and the landlord. You may not modify the terms of the site acquisition document or franchise addendum to lease agreement without our approval. Our approval of the site acquisition document does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the site acquisition document, assume any liability or responsibility to you or to any third parties.



**3.04 Development of the Premises.** You are responsible for developing the Franchised Restaurant, funding all expenses associated therewith, and for complying with the requirements of any applicable federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. You have an obligation, both prior to and after purchasing a Restaurant, to review the laws of the area in which you will be operating to determine what statutes, regulations, ordinances or other laws may have an impact on your ability to operate the Franchised Restaurant. We are not responsible for reviewing the laws, and we make no representation or warranty (express or implied) that the System we have developed complies with the laws of your particular area.

We will provide you with sample floor plans and layouts for a Restaurant to assist you in locating an appropriate Premises (and, thereafter, creating your own construction plans and/or layout). The sample floor plans and layouts are to be used as guidance in locating a site and developing a final set of plans for construction of the Franchised Restaurant. We will furnish such guidance to you in developing the Premises as we deem appropriate. We may periodically inspect the Premises during its development.

You must engage a vendor we have approved to complete a site survey of the Premises. You must engage an architect to prepare plans for the construction or remodeling of the Premises. The general contractor you use to construct the Franchised Restaurant must be approved by us in writing. Any architect, general contractor or other builders you use must be licensed and maintain architect’s, builder’s and/or contractors insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to us, pursuant to Section 9.07 below.

You must submit all site surveys, plans and specifications to us for our approval before starting to develop the Premises. In particular, you must provide us with the site survey and architectural plans for your design and construction or remodeling of the Premises at least thirty (30) days prior to the anticipated commencement date of construction or remodeling. At our request, you must submit to us all revised or “as built” plans and specifications. All development must be in accordance with the plans and specifications we have approved, and must comply with all applicable laws, ordinances and local rules and regulations. All plans and specifications for the Franchised Restaurant shall be our sole and exclusive property.

Our review and approval of your plans are solely for the purpose of assurance of compliance with our standards and are not designed to assess compliance with federal, state or local laws and regulations, including without limitation the ADA, as compliance with such laws is your sole responsibility. By approving your plans or specifications or inspecting the Premises, we do not assume any liability or responsibility to you or to any third parties.

Our approval of or provision of a list containing the names and information for general contractors or other builders that you may use to design or construct the Franchised Restaurant is not a representation or warranty of any kind, express or implied, of the general contractor’s or other builder’s qualifications or competence in designing or constructing the Franchised Restaurant. Our approval or list indicates only that we believe that the general contractor or other builder meets our then acceptable criteria.

You must open the Franchised Restaurant in compliance with our standards within nine (9) months after the Effective Date.

Your obligation to complete construction of the Franchised Restaurant includes obtaining all required construction and occupancy licenses and permits, developing the Premises (including all outdoor features and landscaping of the Premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things required by this Agreement or by practical necessity to have the Franchised Restaurant ready to open for business by the required opening date. You must give us at least thirty (30) days' prior notice of the date on which you plan to open the Franchised Restaurant. You may not open the Franchised Restaurant for business until we have notified you that the Franchised Restaurant meets our requirements for opening, including payment in full of the initial franchise fee and all other amounts then owing to us, successful completion of our initial training program, and our receipt of your certificates of insurance in compliance with Section 9.07. Once you have provided us with your proposed opening date and we have approved it, if you thereafter delay your opening without our approval, you will be responsible to pay an extension fee of \$1,000 per day for each day that you delay your opening date to cover our costs for modified training and support for your opening.

We may, but are not obligated to, grant you extensions of any of the foregoing deadlines if we determine, in our sole discretion, that you are expending good faith best efforts to complete each phase of the site development and opening process and pay a fee for the extension of up to \$5,000. However, pursuant to Section 6.02, in the event your Franchised Restaurant is not open and operating in compliance with our standards within nine (9) months after the Effective Date and we have not granted you an extension, you will be required to pay us the Minimum Royalty Fee (as defined in Section 6.02) for each month until your Restaurant opens (pro-rated for partial months). Additionally, if the Franchised Restaurant does not open for operation in compliance with our standards within nine (9) months after the Effective Date, unless you have received an approved extension, we may terminate this Agreement.

**3.05 Equipment, Furniture, Fixtures and Signs.** You agree to purchase or lease all required equipment, furnishings, fixtures and signs for the Franchised Restaurant. You agree to purchase or lease only such types, brands and models of fixtures, furniture, equipment, signs and supplies which we approve for Restaurants as meeting our standards and specifications, including standards and specifications for quality, design, warranties, appearance, function and performance. You may purchase or lease approved types, brands or models of fixtures, furniture, equipment, signs and supplies only from suppliers approved by us (including us and any of our Affiliates). You acknowledge and agree that certain approved fixtures, furniture, equipment, signs and supplies may only be available from one source, and we or our Affiliates may be that source. Upon receipt and approval of the final construction plans you submit to us, we will provide you with a list of all required equipment, furniture, fixtures, and signs for the Franchised Restaurant.

From time to time, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of such modification, initiate any new orders for, or reorder, any type, brand or model, or otherwise transact with any supplier, which is no longer approved.

If you propose to purchase any fixtures, furniture, equipment, signs or supplies of a type, brand or model, or from a supplier that we have not previously approved, you must notify us and submit to us all information we may request concerning the proposed item or supplier, along with a \$2,500 fee to cover our costs associated with evaluating any proposed supplier or item you request us to consider approving for use by the Franchised Restaurant or the System.

**3.06 Opening Promotional Program.** If this Agreement is for a new Restaurant, in connection with the opening of the Franchised Restaurant you will execute a grand opening marketing plan prescribed by us and corresponding grand opening marketing spend (the “Opening Marketing Spend”). The Opening Marketing Spend will consist of a minimum of Twenty-Five Thousand Dollars (\$25,000) and will vary based on factors we determine in our sole discretion. At our sole option, you will be required to spend all or a portion of the Grand Opening Marketing Spend directly with vendors we approve. You are encouraged, but are not required, to engage in further marketing and promotional activities, at your cost and expense, in connection with the opening of the Franchised Restaurant.

**3.07 Opening Assistance.** If you (or the Operating Partner) have not previously owned or managed a Restaurant, and you are opening a new Franchised Restaurant under this Agreement (i.e. not a transfer of an existing franchise), then we will provide you with such on-site support at the Premises as we deem appropriate to assist you in starting Franchised Restaurant operations, including up to seven (7) total days of pre-opening, opening, and post-opening assistance, and at least one (1) of our personnel or designees as an on-site resource to assist you, as we determine in our sole judgment is appropriate for your Franchised Restaurant. For avoidance of doubt, we solely determine the timing, scheduling and staffing of the on-site opening assistance we will provide you in accordance with this Section, including the calendar dates, times of our support and whether those support days are provided consecutively or intermittently. If we determine that additional opening assistance is necessary to ensure a smooth opening of your Franchised Restaurant, such additional training will be provided at a cost of \$500 per day for each individual we send to assist you.

#### **4. TRAINING AND GUIDANCE.**

**4.01 Initial Training Program; Opening Training.** Within ninety (90) days prior to the opening of your Franchised Restaurant, you will be required to participate in our initial training program in Minnesota (the “Initial Training”). The General Manager of your Franchised Restaurant, your Approved Operator (if applicable) and at least two other management level employees who will work in the Restaurant must attend the Initial Training, which will generally last for three (3) weeks, subject to modification from time to time in our sole discretion. Franchisees who are individuals and the Operating Partner or other representative approved by us of franchisees that are Entities must also attend and participate in the first week of the Initial Training. All attendees must complete the Initial Training to our satisfaction. We will not charge any fees for the first four (4) members of your training group to attend the Initial Training. We may charge our then-current fee for any additional members of the training group that you send to the Initial Training, as well as for you and your personnel attending any additional training programs (whether optional

or mandatory). You will be responsible for all compensation and expenses (including travel, meals and lodging) incurred by you and your training group in attending any training programs. In addition to the Initial Training, a member of our staff will provide additional training to you, your Operating Partner, your General Manager, your Approved Operator (if applicable), your assistant managers, and your employees at the Premises of your Franchised Restaurant during the week of the opening of your Franchised Restaurant, which may include one or more days prior to opening and one or more days of live training after opening (the “Opening Training”).

We may provide additional training from time to time because (i) we have determined, in our sole discretion, that further training beyond the Opening Training is necessary to ensure a smooth opening of your Franchised Restaurant, (ii) we have determined, in our sole discretion, to provide additional types of required training to our franchisees generally, or (iii) you have requested additional training (collectively, “Additional Training”). If Additional Training is conducted, you will be required to reimburse us for our costs, including without limitation lodging, meals and travel arrangements of the trainers and other reasonable expenses, and pay us \$500 per day for each individual we provide to assist you. You will be responsible for all compensation and expenses incurred by you and your personnel in connection with the Opening Training and any Additional Training, regardless of where it is conducted.

You must immediately replace any manager who fails to successfully complete any training program to our satisfaction or who otherwise is not qualified to manage a Restaurant. You acknowledge and agree that the Initial Training, the Opening Training, and any Additional Training programs are provided to you and your personnel to protect our brand and the Marks and not to control the day-to-day operation of the Franchised Restaurant. We may, in our discretion, waive in whole or in part the requirement that any person attend the Initial Training or any other training if such person has already completed the Initial Training in the immediately preceding twelve (12) months in connection with the opening or operation of a different PURALIMA Cantina Restaurant.

**4.02 On-Going Guidance.** We will furnish you periodic guidance with respect to the System, including improvements and changes to the System. Such guidance, at our discretion, will be furnished in the form of the Operations Manual, bulletins and other written materials, consultations by telephone or in person at our offices or at the Franchised Restaurant, or by any other means of communications. At your request, we may provide special assistance for which you will be required to pay the per diem fees and charges we may establish at any time and from time to time.

**4.03 On-Going Training.** You (or your Operating Partner), your General Manager, your Approved Operator (if applicable), and all assistant managers, and other personnel that we may designate, must attend and successfully complete any and all on-going training required, including an annual convention, conference, and/or training course consisting of, but not limited to, “best practices” training, at such time(s) and place(s) we designate. You will be responsible to pay our then-current registration fee for each person that attends such sessions, and for all compensation and expenses (including travel, meals and lodging) incurred by you and your personnel in attending. The person holding a controlling interest in you must attend our annual convention each year, if we have one.

You must pay our then-current fee for the failure of the person holding a controlling interest in you to attend our annual convention, if we have one.

**4.04 Operations Manual.** We will provide you with access to the Operations Manual. You agree to comply fully with all mandatory standards, specifications and operating procedures and other obligations contained in the Operations Manual. We may modify the Operations Manual at any time and from time to time to reflect changes in standards, specifications and operating procedures, provided no addition or modification may alter your fundamental status and rights under this Agreement. If a dispute develops relating to the contents of the Operations Manual, our master copy will control. The Operations Manual contains Confidential Information, and you agree not to copy any part of the Operations Manual or to allow unauthorized persons access to the Operations Manual.

## **5. TRADEMARKS.**

**5.01 Ownership of the Marks.** You acknowledge that PURALIMA LLC (our “Parent”) owns the Marks and we hold the right to license the Marks to you. Your right to use the Marks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement. Your unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of our and our Parent’s rights in and to the Marks. This Agreement does not confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to the exclusive benefit of us and our Parent. All provisions of this Agreement applicable to the Marks apply to any additional or substitute trademarks, service marks and trade dress we authorize you to use. You may not at any time during or after the Term contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

**5.02 Use of the Marks.** You agree to use the Marks as the sole identification of the Franchised Restaurant, provided you identify yourself as the independent owner thereof in the manner we prescribe. You agree to use the Marks as we prescribe in connection with the sale of authorized food products, beverages and services. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including as an electronic media identifier, such as a website, web page or domain name) not expressly authorized by us in writing.

**5.03 Discontinuance of Use of Marks.** If it becomes advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, you agree to comply with our directions at your sole expense within a reasonable time after we provide notice to you. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of any Mark or the promotion of a substitute trademark, service mark or trade dress.

**5.04 Notification of Infringements and Claims.** You must notify us immediately of any apparent infringement of or challenge to your use of any Mark, or any claim by another person of any rights in any Mark. You may not communicate with any person,

other than us and our counsel (or other advisor as we may designate), in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and will have the right to control exclusively any litigation or U.S. Patent and Trademark Office proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all documents, render such assistance and do such things as may be advisable in the opinion of us or our counsel to protect our interests in any litigation or U.S. Patent and Trademark Office or other administrative proceeding or otherwise to protect our interests in the Marks.

**5.05 Indemnification of Franchisee.** We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs you reasonably incur in defending any such claim brought against you, provided: (i) you timely notified us of such claim pursuant to Section 5.04, and (ii) you and your Principal Owners and Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and, if we undertake to prosecute, defend and/or settle any such matter, we will have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel or other advisors you may have retained.

## **6. FEES.**

**6.01 Initial Franchise Fee.** You agree to pay us an initial franchise fee of Sixty-Four Thousand Five-Hundred Dollars (\$64,500) on the date you sign this Agreement. Your failure to pay the initial franchise fee when due constitutes grounds for termination of this Agreement, as provided in Section 14.

If this Agreement is executed pursuant to an Area Development Agreement, the initial franchise fee is subject to the provisions of the Area Development Agreement. Notwithstanding the foregoing, if this Agreement is executed in connection with your independent purchase of (or other receipt of transferred ownership interests in) the Franchised Restaurant's assets from a third party owner, then you will not pay us an initial franchise fee, but we must have received (on or before the Effective Date) the full amount of any associated transfer fee that was due to us in connection with that transaction. The initial franchise fee (and asset transfer fee, if applicable) is fully earned by us as of the Effective Date and is non-refundable.

**6.02 Royalty Fees.** Once the Franchised Restaurant opens for business, you agree to pay us royalty fees of seven percent (7%) of Gross Sales, payable on or before the closing of business on the first business day of each calendar month with respect to the Gross Sales accrued during the most recently ended calendar month before the payment date.

If the Franchised Restaurant is not open and operating in compliance with our standards within nine (9) months after the Effective Date and we have not granted you an extension, you will be required to pay us Seven Thousand Five Hundred Dollars (\$7,500) plus seven percent (7%) of your Gross Sales per month (the "Minimum Royalty Fee") as and for royalty fees for each month until your Restaurant opens in compliance with our standards (pro-rated for partial months).

Additionally, if the Franchised Restaurant does not open for operation in compliance with our standards within nine (9) months after the Effective Date, unless you have received an approved extension, we may terminate this Agreement.

**6.03 Technology Fee.** You agree that you will pay fees to us, our Affiliates and/or our approved suppliers for technology services. You agree that you will pay us our then-current “Technology Fee” on or before the first business day of each calendar month. In exchange for the Technology Fee, we will provide you with one (1) email address. We will also provide you with access to certain other technology products in our sole discretion, which may include a store-specific webpage, menu operations, and restaurant operations software. We have the right to increase this fee no more frequently than annually.

**6.04 Intentionally Omitted.**

**6.05 Interest On Late Payments; Late Fee.** A late fee of \$50 will be imposed upon you for each instance in which you fail to pay any amount owed to us when due. All amounts which you owe us or any of our Affiliates, shall bear interest after their due date at the highest contract rate of interest permitted by law, not to exceed one and one-half percent (1.5%) per month. However, your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 14.

**6.06 Automatic Clearing House Agreement.** You agree, at our request, to sign an electronic payment authorization agreement in a form we or your bank prescribe that authorizes us to automatically debit your bank account, on the dates payments are due, for any royalty fees, marketing fees, technology fees, rents and other amounts due and owing under this Agreement and any other agreements between you and us. You agree to reimburse us within five (5) days for any and all actual expenses or costs incurred if the debit is not successful due to your failure to have sufficient funds available.

**7. RESTRICTIVE COVENANTS.**

**7.01 Confidential Information.** We will disclose parts of our Confidential Information to you solely for your use in the operation of the Franchised Restaurant. The Confidential Information is proprietary and includes our trade secrets. During and after the Term: (a) you may not use the Confidential Information in any other business or capacity (as you hereby acknowledge that such prohibited use would be an unfair method of competition); (b) you must exert your best efforts to maintain the confidentiality of the Confidential Information, regardless of its format or medium of transmission to you; (c) you may not make unauthorized copies of any portion of the Confidential Information; and (d) you must implement all commercially reasonable procedures we prescribe at any time and from time to time to prevent unauthorized use or disclosure of the Confidential Information, including requiring your managers and assistant managers, and any other of your personnel who attends training or who has the ability to access our Confidential Information, to sign nondisclosure agreements in a form we prescribe or approve and delivering those agreements to us.

**7.02 In-Term Covenants.** You acknowledge that we have granted you this franchise in consideration of, and reliance upon, your agreement to deal exclusively with us. You therefore agree that, during the Term and any successor franchise term, neither you, any of your Principal Owners, nor any of your or your Principal Owners' Immediate Family will (without our prior written consent, which consent we may condition or withhold for any or no reason):

(a) have any direct or indirect controlling or non-controlling ownership interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

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

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

(d) engage in any other activity which, in our sole opinion, might be injurious or prejudicial to the goodwill associated with the Marks or the System.

**7.03 Ownership of Materials.** You must promptly disclose to us all recipes, processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques or materials used or useful to a fast-casual restaurant business, whether or not constituting protectable intellectual property, that you create, or that are created on your behalf or for your benefit by your Principal Owners or employees, in connection with the development or operation of your Franchised Restaurant (collectively, the “Materials”). Any such Materials will be deemed our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent that any one of the Materials does not qualify as a “work made-for-hire” for us (as such term is defined under Section 101 of the U.S. Copyright Act), by way of this paragraph you irrevocably convey, grant, transfer and assign ownership of the Material(s), and all related rights to the Materials, both during and after the Term, to us. You agree to take whatever action we request (including signing assignment or other documents) to evidence our ownership or to help us obtain intellectual property rights in the Materials as part of the System, and you warrant that you will obtain all rights from any third party acting on your behalf to comply with this provision.

**7.04 Procurement of Additional Covenants.** You represent that you have delivered, concurrently with the execution of this Agreement, executed copies of our Non-Competition, Non-Disclosure, and Proprietary Rights Agreement (Exhibit D) signed by each Covered Person. You agree that, in the event any person not currently a Covered Person becomes a Covered Person after the Effective Date, you will promptly (and in any case within ten (10) days following such person becoming a Covered Person) provide us with a copy of our Non-Competition, Non-Disclosure, and Proprietary Rights Agreement executed by such additional Covered Person. Covered Persons consist of:



- (a) If you are an individual, you and your spouse;
- (b) If you are an Entity, you, your Operating Partner (and spouse), all Principal Owners (and spouses); all of your officers and directors; and, all persons possessing equivalent positions in any Entity which directly or indirectly owns and/or controls you.

## **8. YOUR ORGANIZATION AND MANAGEMENT.**

**8.01 Organizational Documents.** If you are, or at any time become, an Entity, you and each of your Principal Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business Entity, you are duly qualified to transact business in the state in which the Franchised Restaurant is located; (b) your undersigned signatory below has the authority to execute and deliver this Agreement on your behalf and that you are able and authorized to perform your obligations hereunder; (c) true and complete copies of the articles or certificate of incorporation or formation, partnership agreement, bylaws, subscription agreements, shareholders' agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control (collectively, "Organizational Documents") have been delivered to us and all amendments thereto shall be promptly delivered to us; (d) your activities are restricted to those necessary solely for the development, ownership and operation of Restaurants in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (e) your Organizational Documents require that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; and (f) your Organizational Documents require that all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions.

**8.02 Disclosure of Ownership Interests.** You and all of your Principal Owners represent, warrant and agree that Exhibit A is current, complete and accurate as of the Effective Date. You agree to promptly notify us of any proposed or intended change to your ownership structure during the Term, to obtain our approval in accordance with the transfer conditions of Section 13.02 below before initiating any such change, and to sign a then-updated and accurate form of Exhibit A (which will replace its predecessor version of Exhibit A) if we approve the change. Each person who is or becomes a Principal Owner must execute an agreement in form and substance as we then prescribe, undertaking to be bound jointly and severally by this Agreement.

**8.03 Operating Partner; General Manager; Approved Operator.** If you are, or at any time become, an Entity, you must designate in Exhibit A the "Operating Partner." You may not change the Operating Partner without our prior written consent.

You must designate an individual, subject to our approval, to serve as the "General Manager" for your Franchised Restaurant. If you are an Entity, unless we have agreed otherwise, your Operating Partner will be your General Manager. The General Manager shall be responsible for the daily operation of the Franchised Restaurant and may be a Principal Owner. The General

Manager must be your employee subject to your direction (and consequently will never be deemed to be our employee or agent). The General Manager shall (a) exert full-time, best efforts to the development and operation of the Franchised Restaurant and all other Restaurants you own; (b) complete our training program to our satisfaction before engaging in his or her operational duties; (c) have the authority to make, and bind you to, all operational decisions regarding the Franchised Restaurant; and (d) not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with the General Manager's obligations hereunder.

If this Agreement is executed pursuant to an Area Development Agreement, you must designate an individual, subject to our approval, to serve as your "Approved Operator." If you are an Entity, unless we have agreed otherwise, your Operating Partner will be your Approved Operator. The Approved Operator will be responsible for the day-to-day development and operations of multiple Franchised Restaurants, including the supervision of the General Managers of each of the Restaurants you own, meeting all development opening deadlines, and ensuring the Restaurants you own are operating in a uniform and efficient manner and complying with our Standards. If the Approved Operator is not your Operating Partner, the Approved Operator must be your employee subject to your direction (and consequently will never be deemed to be our employee or agent). The Approved Operator shall (a) exert full-time, best efforts to the development and operation of all the Restaurants you own; (b) complete our training program to our satisfaction before engaging in operational duties; (c) have the authority to make, and bind you to, all operational decisions regarding the Restaurants you own; and (d) not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with the Approved Operator's obligations hereunder.

If, during the term of this Agreement, the Operating Partner is not able to continue serving in such capacity or no longer qualifies to serve in such capacity pursuant to the requirements of this Section, you must promptly notify us and designate a replacement Operating Partner within sixty (60) days after the Operating Partner ceases to serve.

If, during the term of this Agreement, the General Manager or Approved Operator (if applicable) is not able to continue serving in such capacity, is no longer qualifies to serve in such capacity pursuant to the requirements of this Section, or ceases to be employed by you for any reason, you must replace such General Manager or Approved Operator within thirty (30) days, commence training such replacement General Manager or Approved Operator on the System, have such replacement General Manager or Approved Operator come to such location as we designate for Initial Training, and otherwise meet our then-current standards. You must pay our per diem training fee for training of the replacement General Manager or Approved Operator. You also are responsible for all related travel and living expenses and wages incurred in connection with your replacement General Manager or Approved Operator attending these training sessions. The replacement General Manager or Approved Operator shall remain subject to the same qualifications listed above, and will be subject to our approval. We may charge you a fee of up to \$1,500 per day for any day in which you operate the Franchised Restaurant without an approved General Manager in place who has completed our required training programs.

**8.04 Management of Business.** The Franchised Restaurant at all times must be under the direct, on-premises supervision of your General Manager. We reserve the right

to approve or disapprove of any manager-level employee you appoint, including the General Manager. If we disapprove of any manager-level employee you propose, you must promptly appoint a replacement manager-level employee satisfactory to us. If you (or your Operating Partner) own more than one Restaurant, then you must appoint a General Manager that meets with our approval for each Restaurant.

You (or your Operating Partner) must keep us informed at all times of the identity of the General Manager and, if applicable, the Approved Operator, and ensure that such personnel are competent and proficient in their duties. You (or your Operating Partner) are solely responsible for all employment decisions for the Franchised Restaurant, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from us on any of these subjects.

## **9. RESTAURANT OPERATING STANDARDS.**

**9.01 Condition of Franchised Restaurant.** You must maintain the Franchised Restaurant's condition and appearance in an attractive and clean manner so that the Franchised Restaurant can be efficiently operated at all times. You agree to maintain the Franchised Restaurant's condition and appearance and to make such modifications and additions to its layout, decor, and general theme as we may require at any time and from time to time, including replacement of worn-out or obsolete fixtures, equipment, furniture, signs and utensils, repair of the interior and exterior and appurtenant drive-thru (if any) and parking areas, and periodic cleaning and redecorating of the Premises. If at any time the general state of repair, appearance or cleanliness of the Franchised Restaurant or its fixtures, equipment, furniture, signs or utensils, does not meet our standards, we may notify you and specify the action you must take to correct such deficiency. If, within ten (10) days after receiving such notice, you fail or refuse to initiate and thereafter continue in good faith and with due diligence a bona fide program to complete such required maintenance, we have the right (in addition to our rights under Section 14), but not the obligation, to enter the Premises and do such maintenance on your behalf and at your expense. You must promptly reimburse us for such expenses, which we may automatically debit from your bank account in accordance with Section 6.06.

You must periodically upgrade and/or remodel the Franchised Restaurant pursuant to our plans and specifications, provided, however, we will not require substantial remodeling more than once during any five (5) year period.

If the Franchised Restaurant is damaged or destroyed by fire or other casualty, then you must initiate within thirty (30) days (and continue using best efforts until completion) all repairs or reconstruction to restore the Franchised Restaurant to its original condition. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct the Franchised Restaurant in accordance with our then current layout and decor specifications for new Restaurants, we may require you to repair or reconstruct the Franchised Restaurant according to those specifications.

You may not make any alterations to the Franchised Restaurant, nor any replacements, relocations or alterations of fixtures, equipment, furniture or signs, without our prior approval. We

have the right at your expense to rectify (including reversing) any replacements, relocations or alterations not previously approved by us.

**9.02 Uniform Image.** You agree that the Franchised Restaurant will offer for sale food, beverages and other products and services that we determine at any time and from time to time to be appropriate for the Franchised Restaurant. We may designate menu items as being required or optional and also may introduce test menu items on a required or optional basis. You acknowledge that we currently require seasonal menu changes and that you will be responsible for your costs and expenses associated with these seasonal required changes. You further agree that the Franchised Restaurant will not, without our approval, offer any products or services (including promotional items) not then authorized by us. The Franchised Restaurant may not be used for any purpose other than the operation of a Restaurant in compliance with this Agreement. You agree that the Franchised Restaurant will offer courteous and efficient service and a pleasant ambiance.

**9.03 Suppliers, Products and Services.** You acknowledge that the reputation and goodwill of Restaurants is based on, and can be maintained only by, the sale of distinctive high quality products and services. Therefore, you agree that you will use in the development and operation of the Franchised Restaurant and/or offer for sale at the Franchised Restaurant only the food products, beverages, ingredients, uniforms, packaging materials, menus, forms, labels and other supplies and other products and services that conform to our specifications and quality standards and/or are purchased only from the suppliers, distributors and service providers (collectively referred to herein as “supplier” or “suppliers”) we approve (which may include us and/or any of our Affiliates), and you may offer items to customers only at prices that we have approved. We may modify the list of approved suppliers, brands of products, services or supplies and/or suppliers of those items. After notice of such modification, you may not initiate any new orders of, or reorder, any brand, or transact with any supplier, that we no longer approve for use with the System or by Restaurants generally (or by a particular subset of Restaurants, within our reasonable business judgment). In the event you use any unauthorized product, service, brand or supplier that is not then approved by us, we may charge you up to \$1,500 per day until such unauthorized use ceases.

If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. You will pay \$2,500 at the time you submit any request to approve an unapproved supplier or product as reasonable fees to cover our investigation costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require be incorporated in a written agreement. We may impose limits on the number of suppliers (which may include us or our Affiliates) and/or brands for any of the foregoing items.

We reserve the right to designate us or one or more of our affiliates as an Approved Supplier, or the only Approved Supplier, of any product or service necessary for the operation of your Restaurant in compliance with our standards.

Subject to the provisions contained in this Section 9.03, you acknowledge and agree that (i) we and/or our Affiliates may receive payments, fees, commission or reimbursements from suppliers and third parties in respect of such purchases, (ii) we and/or our Affiliates, owners, officers or other personnel may have investments in such suppliers, and (iii) we and/or our Affiliates may profit from your purchases from approved suppliers or receive other material consideration from suppliers on account of their dealings with you and other operators of Restaurants.

You must maintain at all times an inventory of approved food products, beverages, ingredients and other products sufficient in quantity, quality and variety to operate the Franchised Restaurant in accordance with our prescribed standards and specifications for Restaurants.

We may conduct market research to determine consumer trends and salability of new food products and services. You agree to cooperate by participating in our market research programs by test marketing new food products and services in the Franchised Restaurant and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

**9.04 Specifications and Standards.** You acknowledge that each and every aspect of the interior and exterior appearance, layout, decor, services, equipment and operation of the Franchised Restaurant is important to us and is subject to our specifications and standards. You agree to comply with all mandatory specifications, standards and operating procedures, as modified at any time and from time to time (whether contained in the Operations Manual or any other written communication) relating to the appearance, function, cleanliness or operation of a Restaurant, including: (a) type, quality, taste, weight, dimensions, ingredients, uniformity, and manner of preparation, packaging and sale of food products and beverages; (b) sales procedures and customer service; (c) advertising and promotional programs; (d) appearance and dress of employees; (e) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Franchised Restaurant; (f) days and hours of operation; (g) bookkeeping, accounting and record keeping systems and forms; and (h) customer service, brand loyalty programs and materials and media, including social media websites, used in these programs.

You must use your best efforts to respond to and resolve each customer complaint regarding the quality of food or beverages, service and/or cleanliness of the Franchised Restaurant or any similar complaints. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System, or if we, in our sole discretion, determine that you have failed adequately to address or resolve any customer complaints, we may, without your consent, intervene and address and/or resolve such complaint (without incurring liability) to our satisfaction and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaint.

**9.05 Compliance with Laws.** You must maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchised Restaurant and upon our request you must provide us with proof of such required licenses, permits and certificates, including, without limitation, liquor licenses. You are required to obtain all licenses and/or permits to serve alcoholic beverages at the Franchised Restaurant

unless local regulations prohibit the sale of alcohol beverages or the costs are determined by us to be prohibitive, in our sole discretion. You must operate the Franchised Restaurant in full compliance with all applicable laws, ordinances and regulations, including any law or regulation relating to terrorist activities. You must notify us in writing within five (5) days after: (a) the commencement of any legal or administrative action, or the issuance of any order of any court, agency or other governmental instrumentality, which may adversely affect the development, occupancy or operation of the Franchised Restaurant or your financial condition; or (b) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at the Franchised Restaurant.

All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. In all dealings with us, as well as your customers, suppliers, lessors and the public, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other Restaurants or to the goodwill associated with the Marks.

**9.06 Personnel.** The Franchised Restaurant must at all times be under the direct, on-premises supervision of a manager who has completed our training program to our satisfaction and staffed by a sufficient number of competent and properly trained employees. You (or your Operating Partner) at all times must remain active in overseeing the operations of the Franchised Restaurant. If the relationship with your Operating Partner terminates, you must promptly hire a successor Operating Partner. Any successor Operating Partner must meet our approval and must successfully complete our training program. You are solely responsible for all employment decisions for the Franchised Restaurant, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from us on any of these subjects. You must establish at the Franchised Restaurant an employee training program meeting our standards. We may require your employees to maintain specified safety certifications, and you must provide us with proof of such certifications upon our request.

**9.07 Insurance.** You must procure at your expense and maintain in full force and effect during the Term, an insurance policy or policies protecting you and us, and your and our officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with your operations and the Franchised Restaurant, as we may reasonably require for our own and your protection. We and such of our respective affiliates shall be named additional insured in such policy or policies.

The policy or policies shall include, at a minimum the following: (i) all risks property insurance coverage in full replacement value of any leasehold improvements, furniture, fixtures and equipment, and including business income and extra expense; (ii) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 in the general aggregate, including tenant's legal liability with limits of at least \$300,000, personal and advertising injury with limits of at least \$1,000,000, and products and completed operations in the

aggregate with limits of at least \$2,000,000; (iii) automobile liability insurance, including owned (if applicable), non-owned and hired vehicle coverage with a combined single limit of at least \$1,000,000; (iv) worker's compensation and employer's liability insurance with employer's liability limits of \$500,000 per accident, \$500,000 in the aggregate, and \$500,000 for disease, as well as any other insurance required by law; (v) dram shop/liquor liability coverage as required by the applicable jurisdiction; and (vi) excess/umbrella liability coverage with a limit of \$3,000,000 per occurrence, \$3,000,000 annual aggregate, that sits in excess of general liability, auto liability, and employer's liability / worker's compensation coverage; and (vii) any other insurance policies, as we may determine at any time and from time to time. The minimum amount of liability coverage we prescribe from time to time in no way limits your liability to such minimum amounts. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

All insurance policies must: (1) be issued by carrier(s) designated by us with an A.M. Best Rating of not less than A VIII; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe at any time and from time to time; (3) name us and our Affiliates as additional insureds for claims related to the operation of the Franchised Restaurant; (4) provide severability of interests and/or separation of insured coverage; (5) provide for thirty (30) days' (or the maximum time period for notice to the policy holder under the applicable policy) prior written notice to us of any material modification, cancellation or expiration of such policy; (6) provide a waiver of subrogation in favor of us and our Affiliates; and (7) include such other provisions as we may require at any time and from time to time. These insurance policies must be primary to and without right of contribution from any other insurance policy purchased by us or any other indemnitee (as defined in Section 17.02 below); must not limit or reduce coverage for you if there is a claim by us or any one or more of the other indemnitees; and must extend to and provide indemnity for all of your indemnification obligations to us and the other indemnitees under this Agreement.

You must furnish us with such evidence of insurance coverage, payment of premiums, and loss data as we require (a) before you begin operation of the Franchised Restaurant, (b) upon annual renewal of the insurance, and (c) within ten (10) of our demand for proof. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur.

Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under Section 17.02.

**9.08 Social Media Sites.** We may maintain one or more social media sites (e.g., Twitter, Facebook, Instagram, LinkedIn, TikTok, SnapChat, or such other social media sites). You may not establish or maintain any social media sites utilizing any usernames, or otherwise associating with the Marks, without our advance written consent. We may designate at any time and from time to time regional or territory-specific

usernames/handles to be maintained by you. You must adhere to the social media policies that we establish at any time and from time to time and you will require all of your owners and employees to do so as well. Our social media policies may provide you with the right to promote your Franchised Restaurant through social media sites, subject to our monitoring of such activities to ensure they are consistent with our System standards and our right to assume control of such social media sites in our sole discretion. We may require you to participate in social media initiatives directed by us. If we provide you with a username/handle and password, you may not alter such username/handle and password without our prior approval.

**9.09 Customer Data.** All information, mailing lists and databases of Customer Data from whatever source derived, is and shall be our property. You agree not to use such information, except in connection with your Franchised Restaurant in accordance with this Agreement. You agree not to use, process, copy, display, publish, store or transfer the Customer Data without our approval. You agree to comply with all applicable laws with respect to Customer Data; in addition, you agree to comply with our data privacy and security requirements and to exert commercially reasonable efforts to prevent the unauthorized use, dissemination, or publication of Customer Data, subject in all instances to applicable laws. If you know or suspect any unauthorized access to Customer Data (a “data breach”), you must immediately notify us and promptly identify and remediate the source of the compromise at your sole cost and expense. You must also promptly notify us if you become the subject of any governmental, regulatory, or other enforcement or private proceeding relating to your handling of Customer Data. We will be responsible for providing any credit monitoring or other services to customers in connection with a data breach. We will charge you, and you agree to pay, all of our costs and expenses associated with our activities in responding to such data breach, including communications and notices to customers, the provision of credit monitoring or similar services (if applicable), and professional fees paid by us (including legal fees) in connection with such data breach. You agree to promptly take, at your sole cost and expense, any and all remedial measures relating to data security recommended by us in response to such data breach.

**9.10 Credit Cards.** You agree to honor and accept at your Franchised Restaurant all credit, debit, and similar cards and devices approved or required by us, and to not honor or accept any credit, debit, or similar cards or devices not approved by us in writing. You agree to use the system and equipment we require for processing credit cards and any costs to do so are at your expense. You agree to abide by (i) the Payment Card Industry (“PCI”) Data Security Standards enacted by the applicable payment card association (as they may be modified at any time and from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published at any time and from time to time by payment card companies and applicable to customer credit card and debit card information.

**9.11 Pricing.** We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services, including without limitation pricing applicable to any delivery platforms we allow you to use. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge



customers for the products and/or services offered by your Franchised Restaurant; recommending retail prices; advertising specific retail prices for some or all products or services sold at your Franchised Restaurant; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your Franchised Restaurant may charge the public for the products and services it offers. We may engage in any such activity either periodically or throughout the Term. Further, we may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge that the prices we prescribe or suggest may or may not optimize the revenues or profitability of your Franchised Restaurant and you irrevocably waive any and all claims arising from the establishment or suggestion of your Franchised Restaurant's retail prices.

**9.12 Catering and Delivery Services.** Unless we specify otherwise in writing, Franchisee shall provide Catering Service and/or Delivery Service from the Franchised Restaurant in accordance with all applicable terms and conditions of this Agreement and the Operations Manual. Franchisee shall not establish another outlet or property (other than the Franchised Restaurant's Premises) for use in connection with Catering Service or Delivery Service.

You may determine the geographic area within which you will offer Catering Service or Delivery Service, provided that (1) you must ensure that your customers receive at all times high quality food and beverage products prepared and maintained in accordance with our specifications, and (2) you do not send any direct mail advertisements for Catering Service or Delivery Service into the Designated Area of another Restaurant. However, you may accept a catering or delivery order from any location, even if it means that you are delivering or setting up the order in the Designated Area of another Restaurant. You must maintain the condition and appearance of, and perform maintenance with respect to vehicles, servewear and equipment used in connection with the provision of Catering Services and/or Delivery Services in accordance with our standards, specifications and procedures, and consistent with the image of PURALIMA Cantina as first class, clean sanitary, attractive and efficiently-operated food service businesses. You must ensure that all catering and delivery drivers strictly comply with all applicable laws and maintain adequate motor vehicle liability insurance in the amounts that we periodically specify.

If you fail to comply with any provision of this Agreement pertaining to Catering Service or Delivery Service, then in addition to any other rights and remedies that we might have (including the right to terminate this Agreement pursuant to Section 14 below, if applicable), we may temporarily suspend or permanently terminate your right to provide Catering Service and/or Delivery Service or restrict the geographic area within which you may provide Catering Service and/or Delivery Service.

You are not authorized to sell food and beverage products out of a location other than the Premises.

**9.13 Mobile Ordering Services.** As part of our technology system, we may (but are not required to) make available to you and to customers a PURALIMA Cantina mobile

application capable of taking orders. We currently provide a mobile ordering application. You agree to maintain all hardware and software required to participate in this service and shall take and promptly fill all orders made on the approved mobile application.

**9.14 Customer Loyalty Program and Gift Cards.** We currently have a customer loyalty program and a gift card program. For as long as we, in our sole discretion, maintain a customer loyalty program and/or a gift card program in any form, you agree to participate in it, including honoring coupons, gift cards, vouchers, certificates, or other forms of rewards presented by customers and paying all fees associated with it, as set forth more fully in the Operations Manual.

**9.15 Media.** You and your Principal Owners recognize and acknowledge the potentially detrimental impact of unauthorized media interviews on the goodwill and public image of the System and the value of the Marks. Accordingly, you and each Principal Owner shall not, and shall take all steps necessary to cause each employee of Franchisee to not, engage in any interviews, discussions, photo opportunities, or similar conversations (in any such instance, an “Interview”) with any media channel, media internet source, news publication, journalist, reporter, blogger, or similar media outlet or representative (in any such instance, the “Media”) wherein such Interview identifies, or reasonably could identify, you, any Principal Owner, any of your employees, or the Restaurant as being associated with the Marks and/or the System, in each case without our prior written consent, which may be withheld in our discretion for any reason.

## **10. MARKETING AND ADVERTISING.**

**10.01 National Marketing Fee.** We may, in our sole discretion, charge a National Marketing Fee in consideration for the advertising and marketing services we provide, which may include the creation and production of marketing materials and preparation of advertising campaigns. You must contribute to the National Marketing Fee amounts that we establish at any time and from time to time, not to exceed three percent (3%) of Gross Sales, which are payable monthly together with the royalty fees due hereunder. At this time, the current National Marketing Fee is two percent (2%) of Gross Sales and is collected monthly with the royalty fee.

National marketing may be operated through a separate Entity as we deem appropriate in our sole discretion. Any such Entity will have all of the rights and duties as specified in this Section. We will direct all programs related to national marketing, including, without limitation, the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. Your National Marketing Fee may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce website and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

We cannot assure you that any particular Restaurant will benefit directly or pro-rata from the placement of advertising. The advertising and marketing services we provide may include preparing and producing materials and campaigns we select, including video, audio and written advertising and point-of-purchase (“POP”) materials, employing advertising agencies and in-house staff, and engaging in market research activities. We may furnish you with marketing, advertising and promotional materials (including POP materials), and we may charge you related administrative, shipping, handling and storage charges. These costs may vary based on individual Restaurants and their merchandising capacity.

We may at any time defer or reduce contributions of a Restaurant and, upon thirty (30) days’ prior written notice to you, reduce or suspend the National Marketing Fee and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the national marketing program.

**10.02 Local Advertising.** You agree to spend on local advertising and promoting the Franchised Restaurant (“Local Marketing”) such amounts as we establish at any time and from time to time, not to exceed four and one-half percent (4.5%) of Gross Sales each quarter. For these purposes, Local Marketing expenditures include: (a) amounts contributed to advertising cooperatives; and (b) amounts spent for advertising media, such as television, radio, newspaper, billboards, posters, direct mail, yellow pages, collateral promotional and novelty items, advertising on public vehicles, such as cabs and buses, and, if not provided by us, the cost of producing approved materials necessary to participate in these media. You must comply with and participate in any Local Marketing requirements, programs, promotions, or events that we may prescribe from time to time. Local Marketing expenditures do not include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs and menu boards, lighting, menus, vehicle maintenance (even though such vehicles may display the Marks), premiums, discounts, free offers, and employee incentive programs. Upon our request, you must provide us with itemization and proof that you are conducting local advertising and also provide an accounting of your Local Marketing expenditures. You will have thirty (30) days in which to provide this information to us from the date of our request. If we determine that you have spent less than the required amount on Local Marketing in a given year, you must pay to us the difference between the amount you were obligated to spend on Local Marketing and the amount you actually spent on Local Marketing.

You must submit to us for our prior approval, samples of all advertising and promotional materials which vary from our standard advertising and promotional materials and which have not been (i) prepared by us, or (ii) approved by us within the preceding three (3) months. You may not use any advertising or promotional materials that we have disapproved. We will respond to requests for approval of advertising or promotional material within fourteen (14) days of submission by you. Any request that we have not approved in writing will be deemed to be disapproved. In the event you use any advertising or promotional material that has not been prepared by us or approved by us in the preceding three (3) months, we may charge you up to \$1,500 per day until such unauthorized use ceases.

We have the right to establish local and/or regional advertising cooperatives for Restaurants in your local or regional area, covering such geographical areas as we may designate at any time and from time to time. With respect to any advertising cooperative we establish and which we designate for your Franchised Restaurant, you must participate in such advertising cooperative and its programs (other than price advertising, as to which you may choose not to participate) and abide by its by-laws. You must contribute such amounts to the advertising cooperative(s) as they determine at any time and from time to time in accordance with their by-laws, but you will not be required to contribute more than four and one-half percent (4.5%) of Gross Sales each quarter to the advertising cooperative(s). Any Restaurants owned by us or any of our Affiliates located in such designated local or regional area(s) will contribute to the cooperative(s) on the same basis. Contributions to such local and regional advertising cooperatives are credited toward the Local Marketing expenditures required by this Section 10.02; however, if we provide you and your local and/or regional advertising cooperative ninety (90) days' notice of a special regional promotion, you must participate in such promotion and pay to us any regional advertising fees assessed in connection therewith, beginning on the effective date of such notice and continuing until such regional promotion is concluded. Any such special regional advertising fees shall be in addition to, and not credited towards, the Local Marketing expenditure required by this Section.

You agree not to promote, offer or sell any products or services relating to your Franchised Restaurant, or to use any of the Marks, through the internet without our consent, which consent may be withheld for any reason or no reason. In connection with any such consent, we may establish such requirements as we deem appropriate, including (a) obtaining our prior written approval of any internet domain name and home page addresses; (b) submission for our approval of all website pages, materials and content; (c) use of all hyperlinks and other links; (d) restrictions on use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has any ownership interest; and (e) obtaining our prior written approval of any modifications.

## **11. TECHNOLOGY, RECORDS, AND REPORTS.**

**11.01 Records.** You agree to prepare and to maintain for three (3) years, or such longer time period required by applicable law, complete and accurate books, records (including invoices and records relating to your advertising expenditures) and accounts for the Franchised Restaurant, copies of your sales tax returns and such portions of your state and federal income tax returns as relate to the Franchised Restaurant. All such books and records shall be kept at the Premises, unless we otherwise approve.

**11.02 Technology.** You must record all sales on electronic cash registers designated or approved by us at any time and from time to time. You may be required to use computers and computer-based cash registers which are fully compatible with our computer system and which include an information interface capability to communicate electronically with our computer system. We may require you to obtain, and at any time and from time to time update and/or upgrade, equipment, software and/or related services for record keeping and reporting purposes, including facilitating communications between your computers and computer-based cash registers and our computer system. You must provide us with unimpeded access to data from your Franchised Restaurant's system in the

manner, form, and at the times requested by us, including but not limited to Customer Data and financial information, and use the data we collect for any purpose, except that we shall not provide financial data to third parties, outside of our System or network of Restaurants, in such a form that readily identifies the Franchised Restaurant, unless we are required to do so by law, regulation, or order. You must also provide us with access to any web-based video or camera feed of the Franchised Restaurant. If we require you to use specific hardware and/or proprietary software, you agree to execute and comply with such technology agreements as we deem necessary and you agree to pay such license, training, and maintenance fees as we, our Affiliates, or third parties deem reasonably appropriate.

**11.03 Periodic Reports.** You must furnish us: (a) no later than the fifth (5th) day following the end of each calendar month, a report of Gross Sales for such period, a profit and loss statement for the Franchised Restaurant for such calendar month and for the year-to-date and a balance sheet as of the end of such month; (b) within thirty (30) days after the end of each Fiscal Year, a year-end balance sheet, statement of profit and loss, and statement of cash flow of the Franchised Restaurant for such Fiscal Year, reflecting all year-end adjustments and accruals, together with a year-over-year comparison (for Franchised Restaurants open more than one year) comparing financial performance in the most recently completed Fiscal Year to financial performance in the second most recently completed Fiscal Year, in the form we specify; (c) complete copies of all tax returns within thirty (30) days of their filing; and (d) such other information as we may require at any time and from time to time, including food and labor cost reports and sales and income tax statements. You must verify that the information in each such report and financial statement is complete and accurate and sign it. We have the right to disclose data from such reports and statements if we consider disclosure advisable. We reserve the right to require that your annual financial statements be audited, at your expense, by an independent certified public accountant approved by us.

## **12. INSPECTIONS OF THE FRANCHISED RESTAURANT.**

**12.01 Inspections.** We and our designated agents have the right at any reasonable time and without prior notice to: (a) inspect the Franchised Restaurant; (b) observe, photograph, audio-tape and/or video tape the operations of the Franchised Restaurant; (c) remove samples of any food and beverage products, materials or supplies for testing and analysis; and (d) interview personnel and customers of the Franchised Restaurant. You agree to cooperate fully with such activities. You acknowledge that any evaluation or inspection that we or our designated agents or representatives conduct is conducted in order to protect our interests in the System and the Marks and is not intended to exercise, and does not constitute, in whole or in part, control over the day-to-day operation of the Franchised Restaurant and you agree to never contend otherwise.

**12.02 Audits.** We have the right at any time during business hours, and without prior notice to you, to inspect, copy and audit the books, records, tax returns and documents relating to the development, ownership, lease, occupancy or operation of the Franchised Restaurant. You must cooperate fully with our representatives and independent accountants conducting such audits. If any inspection or audit discloses an understatement of Gross Sales, you must pay us, within seven (7) days after receipt of the audit report, the

royalties and National Marketing Fee due on the amount of such understatement, plus interest (as provided in Section 6.05) from the date originally due until the date of payment. Further, if such inspection or audit is made necessary by your failure to furnish reports, records or information on a timely basis, or if we determine an understatement of Gross Sales for the period of any audit to be greater than 2%, you must reimburse us for the cost of such audit or inspection, including the charges of any attorneys and independent accountants and the travel expenses, room and board and compensation of our employees.

### **13. FRANCHISEE'S RIGHT TO TRANSFER.**

**13.01 Franchisor's Approval.** The rights and duties created by this Agreement are personal to you and, if you are an Entity, your Principal Owners. Accordingly, neither you nor any Principal Owner may Transfer the Franchise without our approval and without complying with all of the provisions of Section 13. Any Transfer of the Franchise without such approval or compliance constitutes a breach of this Agreement and is void and of no force or effect.

**13.02 Conditions for Approval.** If we have not exercised our right of first refusal under Section 13.06, we will not unreasonably withhold our approval of a Transfer of the Franchise that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

- (a) you have completed development of the Franchised Restaurant and are operating the Franchised Restaurant in accordance with this Agreement;
- (b) you and your Principal Owners and Affiliates are in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates;
- (c) the proposed transferee, or its Principal Owners (if the proposed transferee is an Entity), must provide us on a timely basis all information we request, must be individuals acting in their individual capacities who are of good character and reputation, who must have sufficient business experience, aptitude and financial resources to operate the Franchised Restaurant, and who must otherwise meet our approval;
- (d) the proposed transferee may not be an Entity, or be affiliated with an Entity, that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;
- (e) the transferee (or its operating partner) and its managers must have completed our initial training program to our satisfaction;
- (f) the transferee (and its owners) must agree to be bound by all of the provisions of our then current standard form of franchise agreement with a term of ten (10) years and related documents used in the state in which the Franchised Restaurant is located (which may provide for different royalties, advertising contributions and expenditures, duration and other rights and obligations than those provided in this Agreement and which we may require to be guaranteed by you and your Principal Owners), unless we waive this requirement in our sole and complete discretion;

(g) you must ensure that we receive, before we will approve any proposed transferee to begin conducting business activities at the Franchised Restaurant as its authorized operator, a transfer fee equal to our then-current initial franchise fee, which under this Agreement is \$64,500 (or, if the proposed transferee is a then-current franchisee of a Restaurant, a transfer fee equal to Ten Thousand Dollars (\$10,000));

(h) you and your Principal Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns;

(i) we must not have disapproved the material terms and conditions of such transfer (including the price and terms of payment) on the basis that they are so burdensome as to be likely, in our judgment, to adversely affect the transferee's operation of the Franchised Restaurant or its compliance with its franchise agreements and any development agreements;

(j) if you (or any of your Principal Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Principal Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets of the Franchised Restaurant, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement or the new franchise agreement executed by the transferee;

(k) you (and your Immediate Family) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities proscribed in Section 16.03 below; and

(l) you and your Principal Owners and Affiliates must execute such other documents and do such other things as we may reasonably require to protect our rights under this Agreement and under any development agreement.

**13.03 Effect of Approval.** Our approval of a Transfer of the Franchise does not constitute: (a) a representation as to the fairness of the terms of any agreement or arrangement between you or your Principal Owners and the transferee or as to the prospects of success of the Franchised Restaurant by the transferee; or (b) a release of you and your Principal Owners, a waiver of any claims against you or your Principal Owners or a waiver of our right to demand the transferee's exact compliance with this Agreement. Any approval shall apply only to the specific Transfer of the Franchise being proposed and shall not constitute an approval of, or have any bearing on, any other Transfer of the Franchise.

**13.04 Special Transfers.** Neither Section 13.06 nor Section 13.02(h) or (j) shall apply to any Transfer of the Franchise to any member of your Immediate Family or the Immediate Family of a then current Principal Owner of Franchisee (if you are an Entity). On thirty (30) days' notice to us, you (if you are an individual or general partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of the Franchised Restaurant, by an agreement in form and substance approved by us, to a limited liability Entity which conducts no business other than the Franchised Restaurant (and other Restaurants under franchise agreements granted by us), and of which you own and control

all of legal and beneficial ownership interest and voting interest. None of the foregoing assignments shall relieve you or your Principal Owners of your respective obligations hereunder, and you and your Principal Owners remain jointly and severally liable for all obligations hereunder.

**13.05 Death or Disability of Franchisee.** Upon your death or permanent disability (if you are an individual), or the death or permanent disability of the Operating Partner or a Principal Owner, the executor, administrator or other personal representative of such person shall transfer his, her, or its interest in this Agreement or his, her, or its interest in you to a third party approved by us in accordance with all of the applicable provisions of Section 13 within a reasonable period of time, not to exceed nine (9) months from the date of death or permanent disability.

**13.06 Franchisor's Right of First Refusal.** If you or any of your Principal Owners desire to Transfer the Franchise for legal consideration, you or such Principal Owner must obtain a bona fide, executed written offer and earnest money deposit in the amount of at least five percent (5%) of the offering price from a responsible and fully disclosed purchaser and must deliver immediately to us a complete and accurate copy of such offer. If the offeror proposes to buy any other property or rights from you or any of your Principal Owners or Affiliates (other than rights under development agreements or other franchise agreements for Restaurants) as part of the bona fide offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is disclosed to us, and the price and terms of purchase offered to you or your Principal Owners for the transfer of the Franchise must reflect the bona fide price offered therefor and may not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Principal Owners within thirty (30) days from the date of delivery of a complete and accurate copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser; and (c) we will have not less than ninety (90) days from the option exercise date to consummate the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct such investigation and analysis in any manner we deem reasonably appropriate and you and your Principal Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, releases, non-competition covenants, closing documents and indemnities as we reasonably may require. If we do not exercise our option to purchase, you or your Principal Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 13.01 and 13.02, provided that if the sale to such offeror is not completed within ninety (90) days after delivery of such offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty (30) calendar day period following your notification



of the expiration of the ninety (90) calendar day period or the material change to the terms of the offer.

**13.07 Securities Offerings.** Neither you nor any of your Principal Owners may issue or sell, or offer to issue or sell, any of your securities or any securities of any of your Affiliates, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior written consent and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Under no circumstances may you or any of your Principal Owners issue or sell your securities or the securities of any of your Affiliates, if: (1) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than thirty-five (35) persons; or (2) after such issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended. If you propose to conduct a securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) incurred in connection with the evaluation and, if applicable, conduct of the securities offering.

#### **14. TERMINATION OF AGREEMENT.**

**14.01 Immediate Termination.** You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceedings under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within thirty (30) days; if a receiver or other custodian, permanent or temporary, is appointed for your business, assets, or property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if a final judgment against you in the amount of Twenty-Five Thousand Dollars (\$25,000) or more remains unsatisfied of record for thirty (30) days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days; if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days; or if your assets, property or interests are “blocked” under any law or regulation relating to terrorist activities or if you are otherwise in violation of any such law or regulation.

**14.02 Termination Upon Notice.** In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you (except as otherwise noted below), if you or any of your Principal Owners or Affiliates:

(a) fail to locate, and submit for our approval, an acceptable site for the Premises, as provided in Section 3.02;

- (b) fail to sign a lease, sublease or purchase contract for the Premises, as provided in Section 3.03;
- (c) fail to open the Franchised Restaurant and start business by the required opening date, as provided in Section 3.04;
- (d) abandon or fail to actively operate the Franchised Restaurant for three (3) consecutive days, except where such failure to actively operate results solely from events constituting force majeure;
- (e) surrender or transfer control of the operation of the Franchised Restaurant without our prior written consent;
- (f) make any material misstatement or omission in an application for a Restaurant franchise or in any other information provided to us;
- (g) suffer cancellation or termination of the lease or sublease for the Franchised Restaurant;
- (h) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the goodwill associated with the Marks;
- (i) make or attempt to make a transfer in violation of Section 13, or fail to make a transfer as required by Section 13.05;
- (j) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Operations Manual in violation of this Agreement;
- (k) fail or refuse to comply with any mandatory specification, standard or operating procedure prescribed by us in this Agreement or in the Operations Manual relating to the cleanliness or sanitation of the Franchised Restaurant or violate any health, safety or sanitation law, ordinance or regulation and do not correct such failure or refusal within twenty-four (24) hours after written notice thereof is delivered to you;
- (l) fail to report or block our ability to obtain accurately Gross Sales or to make payment of any amounts due us or any of our Affiliates, and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;
- (m) understate the Franchised Restaurant's Gross Sales two (2) times or more during the Term or by more than ten percent (10%) on any one occasion;
- (n) fail to make a timely payment of any amount due to a supplier unaffiliated with us (other than payments which are subject to bona fide dispute), and do not correct such failure within thirty (30) days after we deliver to you notice of such failure to comply;
- (o) fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by us in this Agreement or in the

Operations Manual and do not correct such failure within thirty (30) days after notice of such failure to comply is delivered to you;

(p) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records or to pay when due royalties, contributions to local or regional advertising cooperatives, or other payments due us, any of our Affiliates or any unaffiliated suppliers or otherwise fail to comply with this Agreement or the Operations Manual, whether or not such failure is corrected after notice is delivered to you;

(q) fail to obtain or maintain all licenses and/or permits legally required to serve alcoholic beverages at the Franchised Restaurant, unless local regulations prohibit the sale of alcohol beverages or we have determined in our sole discretion that the costs of such licenses and/or permits are prohibitive; or

(r) are in default or suffer termination of any other agreement with us or any of our Affiliates.

If a default is curable under this Agreement, and the applicable law in the state in which the Premises is located cannot be waived and requires a longer cure period than that specified in this Agreement, the longer period will apply. In addition to our right to terminate this Agreement pursuant to this Section 14.02 and to all of our other remedies under this Agreement, (i) if you fail to cure any default that is curable under this Agreement after written notice from us within the time period provided for such cure, we may charge you up to \$1,500 for each day for which such default continues uncured to offset our expenses incurred in connection with addressing such default, and (ii) if the default is one that cannot be cured, we may charge you a fee of \$1,500.

**14.03 Cross-Default.** Any default or breach by you (or any of your Principal Owners) or your Affiliate (or any of your Principal Owners' Affiliates) of any other agreement with us or our Affiliate will be considered an event of default under this Agreement, and any default or breach by you (or any of your Principal Owners) of this Agreement will be considered an event of default or breach by you under any and all agreements between us or our Affiliate and you (or any of your Principal Owners) or your Affiliate (or any of your Principal Owners' Affiliates). If the nature of the default under any other agreement would have been considered an event of default under this Agreement, then we or our Affiliate will have the right to terminate all other agreements between us or our Affiliate and you (or any of your Principal Owners) or your Affiliate (or any of your Principal Owners' Affiliates) in accordance with the termination provisions of this Agreement. Notwithstanding the foregoing, if you developed the Franchised Restaurant pursuant to an Area Development Agreement that terminates solely as a result of your failure to comply with the development schedule set forth in the Area Development Agreement, then such termination of the Area Development Agreement will not result in a termination (constructive or otherwise) of this Agreement if you have fully performed and otherwise been in compliance with all of your obligations under this Agreement.

**14.04 Damages for Termination.** In the event of any default by you that results in a premature termination of this Agreement (regardless of which party actually terminates

this Agreement), in addition to any other remedies available to us, you must pay us, as a measure of our actual damages and not as a penalty, an amount equal to the average monthly fees paid or owed to us by you during the 12 months of operation preceding the effective date of termination (provided that if the Franchised Restaurant was not open during this entire 12-month period, we may use the Minimum Royalty Fee during such time period), multiplied by the lower of (a) 36 (being the number of months in three full years), or (b) the number of months remaining in the Term of this Agreement had it not been terminated.

## **15. RENEWAL RIGHTS.**

**15.01 Your Right To Acquire a Successor Franchise.** Subject to the conditions contained in the entirety of this Section 15, you shall automatically acquire a successor franchise agreement for the Franchised Restaurant on the terms and conditions of a then current form of franchise agreement for Restaurants, as further described in Section 15.03 below, unless we advise you, in our sole and absolute discretion, ninety (90) days before this Agreement's expiration that the Agreement will not auto-renew.

**15.02 Notices.** You must give us written notice of your desire not to renew your Franchise Restaurant at least one hundred and eighty (180) days prior to the expiration of this Agreement. If you do not provide this notice, you agree that you must enter into the then-current franchise agreement, maintain the right to possession of the Premises for the term of the successor franchise agreement and enter into an agreement with us whereby you agree within a specified time period, starting on the signing of a successor franchise agreement, to remodel the Franchised Restaurant, add or replace improvements, fixtures, furnishings, equipment and signs and otherwise modify the Franchised Restaurant to upgrade the Franchised Restaurant to the specifications and standards then applicable for new Restaurants as we require (unless we opt not to auto-renew under Section 15.01 above). You also agree that you will be obligated to pay a renewal fee in the relevant amount and sign a general release as described in Section 15.03 below.

**15.03 Agreements.** If you have the right to acquire a successor franchise in accordance with Section 15.01 and do not opt out of renewal in accordance with Section 15.02, we and you (and your Principal Owners) will execute the form of franchise agreement (which may contain provisions, including royalty fees, materially different from those contained herein) and all ancillary agreements (including, personal guarantees by your Principal Owners and a remodeling agreement on such terms as we determine to be appropriate) which we then customarily use in granting successor franchises for the operation of Restaurants. The successor franchise agreement will be for a successor franchise term of ten (10) years. You must pay us a successor franchise fee due upon signing the successor franchise agreement, which shall be the equivalent of 50% of the initial franchise fee set forth in the then current form franchise agreement. In addition, you and your Principal Owners must execute general releases, in form and substance satisfactory to us or as we then explicitly prescribe, of any and all claims against us, and our Affiliates, owners, officers, directors, employees, agents, successors and assigns. Failure by you (and your Principal Owners) to sign such agreements and releases within thirty (30) days after delivery to you shall be deemed an election by you not to acquire a

successor franchise for the Franchised Restaurant. Upon expiration of such successor franchise agreement, you will have a further right on terms and conditions contained in the successor franchise agreement to acquire a future successor franchise as we then prescribe.

## **16. EFFECT OF TERMINATION OR EXPIRATION.**

**16.01 Payment of Amounts Owed to Us.** Within thirty (30) days after the effective date of termination or expiration (without renewal) of this Agreement, you must pay us and our Affiliates all royalties, National Marketing Fees, amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

### **16.02 Discontinue Use of Marks and Confidential Information.**

Upon the termination or expiration (without renewal) of this Agreement, you will:

- (a) not directly or indirectly at any time or in any manner use any Mark, any colorable imitation or other indicia of a Restaurant;
- (b) take such action as may be required to cancel all fictitious or assumed name registrations relating to your use of any Mark;
- (c) notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer of the number to us or at our direction;
- (d) if we do not exercise our right to purchase the Franchised Restaurant pursuant to Section 16.04 and/or to assume the lease for the Premises pursuant to Section 16.05, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, furniture, decor items, advertising materials, forms and other materials and supplies which display any of the Marks or any distinctive features, images, or designs associated with Restaurants and, at your expense, make such alterations as may be necessary (and as we may require) to distinguish the Premises so clearly from its former appearance as a Restaurant and from other Restaurants as to prevent any possibility of confusion by the public;
- (e) immediately cease to use all Confidential Information and return to us all copies of the Operations Manual and any other confidential materials which have been provided to you;
- (f) immediately discontinue any mode of communications on the internet directly or indirectly relating to your Franchised Restaurant, including any websites or pages associated with your Franchised Restaurant, and immediately take all steps required by us to transfer any domain name associated with your Franchised Restaurant to us (such as executing a Registrant Name Change Agreement with the applicable Registrar). You irrevocably appoint the person who is then our president as your duly authorized agent and attorney-in-fact to execute all instruments and take all steps to transfer such domain names;

(g) immediately cease to use all computer software licensed by us or any of Affiliates and comply with your obligations under any software license agreements; and

(h) within thirty (30) days after the effective date of termination or expiration, furnish us evidence satisfactory to us of your compliance with the foregoing obligations.

**16.03 Post-Term Covenants.** For a period of two (2) years, starting on the effective date of termination or expiration (without renewal or extension of the franchise term) of this Agreement for any reason, you are prohibited from directly or indirectly (such as through an Immediate Family member) owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating at the Premises or within a fifteen (15)-mile radius of the Premises; (b) any Competitive Business operating within a radius of fifteen (15) miles of any Restaurant in operation or under construction on the effective date of termination or expiration; or (c) any Entity which grants franchises, licenses or other interests to others to operate any Competitive Business. In the event the Premises is located in a metropolitan area having a population of more than 100,000 persons within a ten (10)-mile radius of the Premises, the foregoing fifteen (15)-mile radius restriction will be limited to a radius of ten (10) miles from any Restaurant (including the one formerly operated under this Agreement). Notwithstanding the foregoing covenants, nothing in this Section 16.03 prevents you or any Immediate Family member from owning up to five percent (5%) of the legal or beneficial ownership interests or voting interests in any company whose equity securities are publicly traded on a securities exchange.

You acknowledge that we have a protectable legal interest in the System, customers of Restaurants (who you acknowledge are solely our customers), Customer Data, and the goodwill associated with the Marks and that the non-competition covenants contained in this Section and Section 7.02 are necessary elements to their protection and are an integral part of this Agreement. You also expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting such skills in other ways, so that enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. If you fail or refuse to abide by any of the foregoing covenants, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it, and will continue in effect for a period of time ending two (2) years after the date of the order enforcing the covenant. If any covenant herein, which restricts competitive activity, is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and Franchisor agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

#### **16.04 Option to Purchase Franchised Restaurant.**

(a) Upon termination or expiration (without renewal) of this Agreement, we have the right, exercisable by giving notice thereof (“Appraisal Notice”) within ten (10) days after the date of such termination or expiration, to require that a determination be made of the “Agreed Value” (as defined below) of all the personal property used in the Franchised Restaurant which you own, including inventory of non-perishable products, materials, supplies, furniture, equipment, signs,

but excluding any cash and short-term investments and any items not meeting our specifications for Restaurants (the “Purchased Assets”). Upon such notice, you may not sell or remove any of the personal property of the Franchised Restaurant from the Premises and must give us, our designated agents and the “Appraiser” (as defined below) full access to the Franchised Restaurant and all of your books and records at any time during customary business hours in order to conduct inventories and determine the purchase price for the Purchased Assets.

(b) The Agreed Value shall be determined by consultation between you and us. If you and we are unable to agree on the Agreed Value of the Purchased Assets within fifteen (15) days after the Appraisal Notice, then the Agreed Value will be the Fair Market Value, consisting of the amount which an arm’s length purchaser would be willing to pay for the Purchased Assets, less the cost of any required remodeling of the Franchised Premises if we have exercised our option on the lease.

The Fair Market Value will be determined by a member of a nationally recognized accounting firm (other than a firm which conducts audits of our financial statements) selected by us who has experience in the valuation of restaurant businesses (the “Appraiser”). We will notify you of the identity of the Appraiser, who will make his determination and submit a written report (“Appraisal Report”) to you and us as soon as practicable, but in no event more than sixty (60) days after his appointment. You agree to promptly provide the Appraiser with such books and records as he or she may require, which you represent and warrant to be complete and accurate. In absence of such books and records or if the Appraiser is not satisfied with their completeness or accuracy, the Appraiser may make the determination of the Agreed Value on the basis of other sources and information he or she deems appropriate. The Appraiser’s determination shall be final and binding on the parties hereto.

(c) We have the option, exercisable by delivering notice thereof within thirty (30) days after submission of the Appraisal Report (or the date that an agreement is reached, if the parties agree to the Agreed Value), to agree to purchase the Purchased Assets at the Agreed Value. We shall have the unrestricted right to assign this option to purchase separate and apart from the remainder of this Agreement.

(d) If we exercise our option to purchase, fifty percent (50%) of the purchase price for the Purchased Assets will be paid in cash at the closing, which will occur at the place, time and date we designate, but not later than sixty (60) days after the exercise of our option to purchase the Purchased Assets. At the closing, we will be entitled to all warranties, title insurance policies and other closing documents and post-closing indemnifications as we reasonably require, including: (i) instruments transferring good and merchantable title to the Purchased Assets, free and clear of all liens, encumbrances, and liabilities, to us or our designee, with all sales and other transfer taxes paid by you; and (ii) an assignment of all leases of personal property and real estate used in the operation of the Franchised Restaurant, including land, building and/or equipment (or if an assignment is prohibited, a sublease to us or our designee for the full remaining term and on the same terms and conditions as your lease, including renewal and/or purchase options), provided, however, that if any of your Principal Owners or Affiliates directly or indirectly owns the land and/or building of the Franchised Restaurant, then you will, at our option, cause such Principal Owner or Affiliate to grant to us a lease, as set forth below. Twenty-five percent (25%) of the purchase price (plus accrued and unpaid interest on the unpaid balance, at the Prime Rate, as

defined below, from and after the closing date) shall be payable on the first anniversary of the closing date, and the remaining twenty-five percent (25%) of the purchase price (plus accrued and unpaid interest on the unpaid balance, at the Prime Rate, from and after the closing date) shall be payable on the second anniversary of the closing date. The “Prime Rate” shall be the published prime rate as of the date of closing of The Chase Manhattan Bank or any other national bank we select.

If you cannot deliver clear title to all of the assets, or if there are other unresolved issues, the closing of the sale may, at our option, be accomplished through an escrow on such terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties in order to obtain clear title to any of the Purchased Assets. Further, you and we shall comply with any applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Premises is located and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Principal Owners or Affiliates to us or any of our Affiliates.

(e) Upon delivery of the Appraisal Notice and pending (i) determination of Fair Market Value, (ii) our option period, and (iii) the closing of the purchase, we have the right to appoint a General Manager to maintain operation of the Franchised Restaurant for our benefit in compliance with the terms of this Agreement. We may, if you fail or refuse to do so, execute in your name and on your behalf, any actions and/or documents that may be necessary to effect your obligations and our rights under this Section, and you hereby irrevocably appoint the person who is then our president as your duly authorized agent and attorney in fact to do so. The terms of this provision shall survive the termination or expiration of this Agreement.

**16.05 Right to Lease Real Estate After Termination/Expiration.** If you or any of your Principal Owners or Affiliates directly or indirectly lease the location for the Franchised Restaurant, you must, at our option, assign to us any interest which you (or your Principal Owners or Affiliates) have in any lease or sublease for the Premises.

If you or any of your Principal Owners or Affiliates directly or indirectly owns the building and/or land (“Real Estate”) on which the Franchised Restaurant is located, you must provide us the option to lease the Real Estate of the Franchised Restaurant at reasonable and customary rental rates and other terms prevailing in the community where the Franchised Restaurant is located upon termination of this Agreement for any reason or expiration (without renewal). We agree to deliver written notice to you within ten (10) days after the effective date of termination or expiration that we desire to lease the Real Estate and have its lease value determined by an appraiser we select in our sole discretion who is a member of the American Institute of Real Estate Appraisers who has attained the designation of M.A.I. and who has not less than five (5) years of experience in the appraisal of commercial real estate. The terms of this provision shall survive the termination or expiration of this Agreement.

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



## **17. RELATIONSHIP OF THE PARTIES.**

### **17.01 Independent Contractors.**

Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties hereto. Franchisor and Franchisee, as between themselves, are and shall be independent contractors.

We and you acknowledge and agree that this Agreement (and the relationship of the parties which arises from this Agreement) grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your explicit rights and obligations hereunder that may affect favorably or adversely your interests. You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interests of our franchise network, at the time our decision is made, without regard to: (a) whether other reasonable or even arguably preferable alternative decisions or actions could have been made by us; (b) whether our decision or the action we take promotes our financial or other individual interest; (c) whether our decision or the action we take applies differently to you and one (1) or more other franchisees; or (d) whether our decision or the exercise of our rights is adverse to your individual interests or the individual interests of any other particular franchisees. We will have no liability to you for any such decision or exercise of our rights.

Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of the Franchised Restaurant and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require at any time and from time to time.

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

None of your employees or other personnel will be considered to be employees or personnel of ours. Neither you nor any of your employees or personnel whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee or personnel for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or

fixed by any city, state, provincial, or federal governmental agency. We will not have the power to hire or fire your employees or personnel. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees or personnel for qualification to perform certain functions for your Franchised Restaurant does not directly or indirectly vest in us the power to hire, fire or control any such employee. You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of your Franchised Restaurant and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Restaurant, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchised Restaurant.

**17.02 Indemnification.** You agree to indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively “indemnitees”), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the indemnitees in connection with (i) your failure to perform or breach of any covenant, agreement, term or provision of this Agreement, (ii) your breach of any representation or warranty contained in this Agreement, (iii) the marketing, promotion, advertisement or sale of any of the products and services offered by your Franchised Restaurant pursuant to this Agreement, including unfair or fraudulent advertising claims (whether in print advertising or electronic media), and product liability claims, (iv) your development, ownership, operation and/or closing of your Franchised Restaurant (including any tax liability as set forth below in Section 17.03), (v) employment matters in connection with your Franchised Restaurant, and (vi) any allegedly unauthorized service or act rendered or performed in connection with this Agreement, (collectively “event”) and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees. The foregoing indemnity shall apply even if it is determined that the indemnitees’ negligence caused such loss, liability or expense, in whole or in part, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term “losses and expenses” includes actual, compensatory, exemplary, and/or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification may be required, and we may elect (but are not obligated) to direct the defense thereof, including the selection of appropriate counsel at our sole determination.

We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of indemnitees or Restaurants generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an event (an “Insured Event”), we agree not to exercise our right to select counsel to defend the event if such would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**17.03 Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon the Franchised Restaurant, your property or upon us, in connection with sales made or business conducted by you (except for any income taxes imposed on our income). Payment of all such taxes shall be your responsibility, and you must reimburse us for any such taxes imposed against us. In the event of a bona fide dispute as to your liability for taxes, you may contest your liability in accordance with applicable law. In no event, however, will you permit a tax sale, seizure, or attachment to occur against the Franchised Restaurant or any of its assets.

## **18. MISCELLANEOUS.**

**18.01 Severability and Substitution of Provisions.** Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

If any applicable law requires a greater prior notice of the termination of or refusal to enter into a successor franchise than is required hereunder, a different standard of “good cause,” or the taking of some other action not required hereunder, the prior notice, “good cause” standard and/or other action required by such law shall be substituted for the comparable provisions hereof. If any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable.

**18.02 Waiver of Obligations.** We and you may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days’ prior notice. You and we shall not be

deemed to have waived any right reserved by this Agreement by virtue of any custom or practice of the parties at variance with it; any failure, refusal or neglect by you or us to exercise any right under this Agreement (except as provided in Section 18.03) or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, whether of the same, similar or different nature, with respect to other Restaurants; or the acceptance by us of any payments due from you after any breach of this Agreement. However, you agree that you will give us immediate written notice of any claimed breach or violation of this Agreement as soon as possible after you have knowledge, or determine, or are of the opinion, that there has been a breach or violation by us of this Agreement. If you fail to give written notice to us of any claimed misrepresentation, violation of law, or breach of this Agreement within one (1) year from the date you have knowledge, determine, are of the opinion, or become aware of facts and circumstances reasonably indicating, that you may have a claim against us or against any of our affiliates under any state law, federal law, or common law, then the misrepresentation, violation of law, or breach will be considered to have been condoned, approved and waived by you, and you will be barred from beginning any legal, arbitration, or other action against us or against our affiliates, or from instituting any counterclaim against us or our affiliates, for the misrepresentation, violation of law, or breach, or from using the alleged act or omission as a defense to any action we may maintain against you.

**18.03 Exercise of Rights.** The rights of us and you hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder shall preclude the exercise or enforcement by us or you of any other right or remedy hereunder which we or you are entitled to enforce by law. If you commit any act of default under this Agreement for which we exercise our right to terminate this Agreement, you shall pay to us all actual, consequential, special and incidental damages we incur as a result of the premature termination of this Agreement regardless of whether or not such damages are reasonably foreseeable. You acknowledge and agree that the proximate cause of such damages sustained by us is your act of default and not our exercise of our right to terminate.

**18.04 Injunctive Relief.** We, as an alternative or supplement to arbitration pursuant to Section 18.05, may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may seek and obtain such injunctive relief, without bond, but upon notice as required under applicable rules, in addition to such further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of such injunction, shall be its dissolution, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). You and each of your Principal Owners acknowledge that any violation of Section 7, 13.02(j), 16.02 or 16.03 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Principal Owners consent and agree to the issuance of an injunction prohibiting any conduct in violation of any of those sections and agrees that the existence of any claim you or any of your Principal Owners may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

**18.05 Arbitration.** Subject to Section 18.04, all controversies, disputes, or claims between us or any of our Affiliates, or any of their respective officers, directors, agents, employees and attorneys and you, your Principal Owners, any of your Affiliates or any of your Principal Owners' affiliates, arising from or relating, directly or indirectly, to (i) this Agreement or any other agreement between you and us or your or our respective Affiliates, (ii) the scope and validity of any provision of this Agreement or any other agreement between you and us or any provision of such agreements (including the validity of the arbitration obligations under this Section 18.05, which the parties acknowledge is to be determined by an arbitrator and not a court); (iii) our relationship with you, including, without limitation, your application to become a franchisee and/or to acquire the right to operate an additional Restaurant, our decision to award a franchise, approve a site or any other matter related to your franchise application or site selection process for your Franchised Restaurant or for an additional Restaurant; or (iv) any of our specifications and standards, shall on demand of either party be submitted for arbitration to the offices of the American Arbitration Association ("AAA") located closest to our corporate headquarters at the time of such demand. The arbitration shall be governed exclusively by the United States Federal Arbitration Act (9 U.S.C. § 1, et seq.), without reference to any state arbitration statutes.

(a) Prior to filing any claim in arbitration, the parties agree that they will use good faith best efforts to resolve the dispute for a period of thirty (30) days, which must include a minimum of one in-person meeting to discuss and attempt to resolve the dispute. At the expiration of such thirty (30) day period and only if the parties' good faith best efforts to resolve the dispute have been unsuccessful, the parties shall initiate pre-arbitration mediation administered through AAA by making a request for mediation in accordance with the AAA's Commercial Mediation Procedures. The parties may only proceed to an arbitration action with AAA after they have participated in pre-arbitration mediation.

(b) The parties agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedures) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be waived and such party will forever be barred from asserting such a claim.

(c) Settlement discussions occurring between the parties in relation to any dispute falling within the scope of this Section 18.05 shall be protected by Federal Rule of Evidence 408 and all other applicable rules limiting and/or precluding disclosure. The parties further agree that unless otherwise agreed in writing, neither side shall be permitted to disclose any settlement discussions to the arbitrators for any reason and that the arbitrators may not consider any settlement discussions or offers that might have been made by either you or us prior to commencing the arbitration proceeding.

(d) The arbitration proceedings shall be conducted in the city closest to our principal place of business and shall be conducted in accordance with the then-current commercial arbitration rules of the AAA, except as modified by this Agreement. The parties shall be entitled to limited discovery at the discretion of the arbitrators but in no event shall the arbitrators order the taking of depositions without the parties' prior agreement. The parties acknowledge that the

arbitrators' subpoena power is not subject to geographic limitations. The arbitration shall be conducted by one arbitrator, selected in accordance with the rules of AAA.

(e) The parties further agree that the arbitration proceedings shall be commenced and conducted on an individual basis only and not on a multi-plaintiff, consolidated or class-wide basis, that the arbitrators have no authority to conduct any such multi-plaintiff, consolidated, or class-wide proceedings under this Section 18.05, and that each side expressly waives any ability or right to initiate or assert any such multi-plaintiff, consolidated, or class-wide claims in connection with any arbitration proceeding. The foregoing sentence is an integral provision of the arbitration procedures set forth in this paragraph, and may not be severed therefrom, notwithstanding Section 18.01 of this Agreement. If such sentence is determined to be invalid or unenforceable under applicable law in connection with a particular controversy, dispute, or claim, then Section 18.05 shall be stricken from this Agreement and neither party shall be deemed to have consented to arbitration of such controversy, dispute, or claim.

(f) The arbitrator shall have the right to award individual relief which he or she deems proper under the evidence presented and applicable law and consistent with the parties' rights to, and limitations on, damages and other relief as expressly set forth in this Agreement, including without limitation, Sections 18.04, 18.06 and 18.10. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. The parties further agree to be bound by the provision of any statute of limitations which would otherwise be applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Federal Arbitration Act. We reserve the right, but have no obligation, to advance your share of the costs, fees and expenses of any arbitration proceeding, including any arbitrator fees, in order for such arbitration proceeding to take place, and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those amounts from the arbitrator, who shall provide for such relief in the final award, in addition to the costs, fees, and expenses that are recoverable under Section 18.06 below.

(g) The parties agree that any claim arising out of this Agreement, whether for rescission or damages or any other type of remedy at law or in equity shall be brought in within one (1) year from the date of the act or failure to act by any person.

(h) The provisions of this Section 18.05 shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement.

**18.06 Costs of Enforcement.** If we file a claim in a judicial or arbitration proceeding for amounts you or any of your Principal Owners owe us or any of our Affiliates, or if we enforce this Agreement in a judicial or arbitration proceeding, and we prevail in any such proceeding, you agree to reimburse us for all of our costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees. If we are required to engage legal counsel in connection with your failure to comply with this Agreement, you must reimburse us for any attorneys' fees, costs and expenses we incur.

**18.07 Jurisdiction and Venue.** SUBJECT TO SECTION 18.05 ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR PRINCIPAL OWNERS IRREVOCABLY AGREE THAT: (A) ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION LOCATED CLOSEST TO OUR THEN CURRENT CORPORATE HEADQUARTERS (CURRENTLY MINNEAPOLIS, MINNESOTA); AND (B) ANY SUCH MATTER SHALL BE TRIED BY AND TO THE COURT SITTING WITHOUT A JURY, AND YOU WAIVE ANY RIGHT TO A JURY TRIAL. YOU IRREVOCABLY WAIVE, TO THE FULLEST EXTENT YOU MAY LAWFULLY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT, ACTION OR PROCEEDING, AND AGREE THAT SERVICE OF PROCESS FOR PURPOSES OF ANY SUCH SUIT, ACTION OR PROCEEDING NEED NOT BE PERSONALLY SERVED OR SERVED WITHIN THE STATE OF MINNESOTA, BUT MAY BE SERVED WITH THE SAME EFFECT AS IF YOU WERE SERVED WITHIN THE STATE OF MINNESOTA, BY CERTIFIED MAIL OR ANY OTHER MEANS PERMITTED BY LAW ADDRESSED TO YOU AT THE ADDRESS SET FORTH HEREIN. NONETHELESS, FRANCHISEE AND FRANCHISEE'S OWNERS AGREE THAT FRANCHISOR MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH FRANCHISEE IS DOMICILED OR THE FRANCHISED BUSINESS IS LOCATED.

**18.08 Governing Law.** This Agreement and any dispute, claim, or matter arising out of or relating in any way to the relationship between the parties (whether based in contract, tort, statute or otherwise and regardless of the relief sought) shall be construed under the laws of the State of Minnesota, provided that (1) the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state that does not conflict with Minnesota law and (2) the Minnesota Franchise Act and any other Minnesota law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply. In the event of any conflict of law, Minnesota law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Minnesota law, and if the Franchised Restaurant is located outside of Minnesota and such provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then such provision shall be construed under the laws of that state. To be clear, nothing in this Section is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Minnesota to which it otherwise would not be subject and you expressly waive, to the fullest extent permitted by law, the rights and protections provided by the Minnesota Franchise Act and associated administrative rules.

**18.09 Successors and Assigns.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interests herein.

**18.10 Limitations on Damages.** EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 17.02, AND EXCEPT WITH RESPECT TO OBLIGATIONS REGARDING USE OF THE MARKS IN SECTION 5 AND THE CONFIDENTIAL INFORMATION IN SECTION 7.01, FRANCHISOR AND FRANCHISEE (AND ITS OWNERS) EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND EACH OF YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO RECOVER CONSEQUENTIAL, SPECIAL AND INCIDENTAL DAMAGES FOR ANY CLAIM DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT.

You agree that, for our System to function properly, we should not be burdened with the costs of litigating system-wide disputes. Accordingly, any disagreement between you (and your Principal Owners) and us shall be considered unique as to its facts and shall not be brought as a class action, and you (and each of your Principal Owners) waive any right to proceed against us or any of our shareholders, members, Affiliates, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving us and any other franchisee, and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

**18.11 Construction.** The language of this Agreement shall be construed according to its fair meaning and not strictly for or against any party. The introduction, personal guarantees, exhibits and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties. This Agreement expressly includes all of its exhibits, addenda, and attachments, which are specifically incorporated herein by reference. Other than this Agreement and except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements relating to the subject matter of this Agreement, that either party may or does rely on or that will have any force or effect, except that nothing in this Agreement shall disclaim or require you to waive reliance on any representation we made in our Franchise Disclosure Document (including any of that document's exhibits and amendments) delivered to you, your Principal Owners, Affiliates or representatives. Nothing in this Agreement shall be deemed to confer any rights or remedies on any person or Entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties.

The headings of sections are for convenience only and do not limit or construe their contents. The word "including" shall be construed to include the words "without limitation." The term "Franchisee" or "you" is applicable to one or more persons, an Entity, and its owners, as the case may be. If two (2) or more persons are at any time Franchisee hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several.

This Agreement may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.



**18.12 Approvals and Consents.** In all cases where our prior consent or acceptance is required and no other method or timing for obtaining such consent or acceptance is prescribed, you must request such consent or acceptance in writing, and we will notify you of our decision within sixty (60) days after receiving your written request and all supporting documentation. Whenever our consent or acceptance is required hereunder, such consent or acceptance must be in writing. If we do not respond in writing to your request within such sixty (60)-day period, the request shall be deemed denied. Our consent to, or acceptance of, any request by you shall be effective only to the extent specifically stated and shall not be deemed to waive or render unnecessary our consent or acceptance of any subsequent similar request. Except where this Agreement expressly obligates us to reasonably accept or consent to (or not to unreasonably withhold our acceptance or consent regarding) any action or request by you, we have the absolute right for any reason or no reason to withhold our acceptance of or consent to any action by you.

**18.13 Notice of Potential Profit.** We and/or our affiliates may from time to time make available to you or require you to purchase supplies, equipment, products and/or services for use in your Franchised Restaurant on the sale of which we and/or our affiliates may make a profit. Further, we and/or our affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of supplies, equipment, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our affiliates are entitled to said profits and/or consideration.

**18.14 Notices and Payments.** All notices, requests and reports permitted or required to be delivered by this Agreement shall be deemed delivered: (a) at the time delivered by hand to the recipient party (through an officer, director or partner of the recipient party); (b) on the same day of the transmission by facsimile or other reasonably reliable electronic communication system to the recipient (through an officer, director or partner of the recipient party); (c) one (1) business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery to the above address or the most current principal business address of which the notifying party has been notified in writing; or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All payments and reports required by this Agreement shall be sent to us at the address identified at the beginning of this Agreement unless and until a different address has been designated by written notice. No restrictive endorsement on any check or in any letter or other communication accompanying any payment shall bind us, and our acceptance of any such payment shall not constitute an accord and satisfaction.

**18.15 Franchisee's Release.** To the full extent permitted by applicable law, you, for yourself and on behalf of your Affiliates, and their respective shareholders, directors, officers, limited liability company members, managers, governors, and employees, and their respective successors and assigns, and on behalf of your owners, hereby (i) release and forever discharge us and our Affiliates, and their respective directors, governors, officers, managers, employees, agents, representatives and attorneys, and their respective

successors and assigns, from any and all claims, demands and causes of action, whether known or unknown, of any kind or nature, absolute or contingent, if any at law or in equity, arising prior to or on the date you sign this Agreement, and (ii) agree that none of them will institute any litigation or other legal action or proceeding, at law or in equity, against us or our affiliates and their directors, governors, officers, managers, employees, agents, representatives and attorneys, and their respective successors and assigns, directly or indirectly, relating to any claim or demand released under this Section 18.15. You shall take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon our request. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation we made in our Franchise Disclosure Document (including any of that document's exhibits and amendments) delivered to you, your owners, Affiliates or representatives. This Section 18.15 shall survive the expiration or termination of this Agreement.

**18.16 Guaranty by Principal Owners.** If you are an Entity, each of your Principal Owners and their spouses must execute and deliver to us the Owners' Personal Guaranty of Franchisee's Obligations in the form attached as Exhibit E to this Agreement. Any person or Entity that at any time after the date of this Agreement becomes a Principal Owner must execute and deliver the Owners' Personal Guaranty of Franchisee's Obligations in the form attached as Exhibit E to this Agreement within ten (10) days from the date such person or Entity becomes a Principal Owner; provided, however, that any person or Entity who becomes a Principal Owner (and their spouse) shall automatically acquire all the obligations of a Principal Owner under this Agreement at the time such person or Entity becomes a Principal Owner. Before approving and entering into any transaction that would make any person or Entity a Principal Owner, you must notify such person (and their spouse) about the content of this Section 18.16.

**18.17 Anti-Terrorism Laws.** Neither you, nor your owners, principals, employees or anyone associated with you are listed in the Annex to Executive Order 13224. (The Annex is available at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>.) You agree not to hire or have any dealings with any person listed in the Annex. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws. In connection with such compliance, you certify, represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws.

**18.18 Electronic Signatures.** The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an "I Accept" or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

**18.19 Receipt of Disclosure Document and Agreement.** You acknowledge having received our Franchise Disclosure Document and this Agreement, with all blanks completed, within the time periods required by applicable law.

**18.20 No Waiver or Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

**[SIGNATURE PAGE FOLLOWS]**

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

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

**FRANCHISEE & PRINCIPAL OWNERS**  
If an Entity:

By: \_\_\_\_\_

\_\_\_\_\_  
(Name of Entity)

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

\*Effective Date: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Individually and as a Principal Owner

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Individually and as a Principal Owner

If individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**EXHIBIT A**  
**TO THE FRANCHISE AGREEMENT**

1. Operating Partner. The name and home address of the Operating Partner are as follows:

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2. Form of Entity of Franchisee.

(a) Corporation or Limited Liability Company. Franchisee was incorporated or organized on \_\_\_\_\_, 20\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than its corporate name. The following is a list of all of Franchisee’s directors and officers as of \_\_\_\_\_, 20\_\_\_\_:

<u>Name of Each Director/Officer/Members</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(b) Partnership. Franchisee is a [general] [limited] partnership formed on \_\_\_\_\_, 20\_\_\_\_ under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than its partnership name. The following is a list of all of Franchisee’s general partners as of \_\_\_\_\_, 20\_\_\_\_.

Name of General Partner

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3. Owners. Franchisee and each of its Principal Owners represents and warrants that the following is a complete and accurate list of all owners of Franchisee, including the full name and mailing address of each owner, and fully describes the nature and extent of each owner’s interest in Franchisee. Franchisee and each Principal Owner (as to his, her, or its ownership interest) represent and warrant that such Principal Owner is the sole and exclusive legal and beneficial owner of such ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

<u>Owner’s Name and Address</u>	<u>Description of Interest</u>
<hr/>	<hr/>
<hr/>	
<hr/>	<hr/>
<hr/>	
<hr/>	<hr/>
<hr/>	
<hr/>	<hr/>
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*[signature page follows]*

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of Entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Owners:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Print Name)

**EXHIBIT B**  
**TO THE FRANCHISE AGREEMENT**

1. The **Preliminary Designated Area** (if any) of the Franchised Restaurant is:

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2. The **Premises** of the Franchised Restaurant will be located at:

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3. The **Designated Area** of the Franchised Restaurant is as follows and/or as set forth on the map attached hereto:

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**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_,  
(Name of Entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT C**  
**TO THE FRANCHISE AGREEMENT**  
**FRANCHISE ADDENDUM TO LEASE AGREEMENT**

This Lease Addendum (“Addendum”) is made and entered into as of \_\_\_\_\_ 20\_\_ , is by and between \_\_\_\_\_ (“Landlord”), and \_\_\_\_\_ (“Tenant”) and modifies, supplements and forms a part of that certain \_\_\_\_\_ dated as of the same date hereof (the “Lease”).

**RECITALS**

A. Landlord and Tenant have entered into the Lease concerning real estate commonly known and addressed as \_\_\_\_\_ and as more particularly described in the Lease (the “Premises”).

B. Tenant has agreed to use the Premises for the operation of a PURALIMA Cantina restaurant pursuant to a franchise agreement, as same made by amended, modified, supplemented, replaced or restated (collectively hereinafter referred to as the “Franchise Agreement”) with PURALIMA Franchising LLC (“Franchisor”).

C. The parties desire to modify and supplement the Lease in accordance with the terms and conditions contained in this Addendum.

**AGREEMENT**

NOW THEREFORE, in consideration of the promises hereinafter contained, the sufficiency of which is hereby acknowledged by the parties hereto, Landlord and Tenant agree as follows notwithstanding anything contained in the Lease to the contrary:

1. Remodeling and Décor. Landlord agrees to allow Tenant to remodel, equip, paint and decorate the interior of the Premises and to display proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement.

2. Restrictive Covenants. Landlord represents and warrants that (i) the use of the Premises for the operation of a PURALIMA Cantina Restaurant as contemplated by the Franchise Agreement is in compliance with, and does not violate, any restriction or covenant regarding use of the Premises, and (ii) no other party has any contractual right inconsistent with the use of the Premises for the operation of a PURALIMA Cantina Restaurant.

3. Assignment. Tenant has the right to assign all of its right, title and interest in the Lease to Franchisor, or its affiliates, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Landlord’s consent to such assignment; *provided, however,* no assignment of the Lease will be effective until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of such assignment. If Franchisor, or its affiliate, elects to accept assignment of the Lease under this paragraph or unilaterally accepts assignment of the Lease as provided for in this Addendum, then Landlord and Tenant agree that (i) Tenant will remain liable for the responsibilities and obligations under the Lease, including without limitation,

amounts owed to Landlord, prior to the date of such assignment, and (ii) Franchisor, or its affiliate, will have the right to thereafter assign the Lease or sublease the Premises to a franchisee of Franchisor without the prior consent or approval of Landlord; *provided, however*, such franchisee shall agree to operate the Premises pursuant to a franchise agreement with Franchisor. Franchisor, or its affiliate, shall only be responsible for obligations under the Lease arising or incurred during such time that Franchisor, or such affiliate, is the tenant under the Lease.

4. Default and Notice. In the event there is a default or violation by Tenant under the terms of the Lease, Landlord agrees to give Franchisor written notice of such default or violation on the same day Landlord provides such notice to Tenant. Landlord agrees that Franchisor has the right, but is under no obligation, to cure the default or violation of Tenant set forth in any notice provided by Landlord. Franchisor shall have an additional fifteen (15) days after the expiration of Tenant's cure period in which to cure the default or violation. All notices to Franchisor must be sent by registered or certified mail, postage prepaid, to PURALIMA Franchising LLC, 746 Mill Street E, Wayzata, Minnesota 55391. Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees to notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent. Upon Tenant's default and failure to cure a default under either the Lease or the Franchise Agreement, Franchisor has the right (but not the obligation) to unilaterally accept assignment of Tenant's interest in the Lease in accordance with this Addendum.

5. Termination or Expiration. Upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right (but not the obligation) to unilaterally accept assignment of Tenant's interest in the Lease in accordance with this Addendum. Upon the expiration or termination of the Lease, if Franchisor does not accept assignment of Tenant's interest in the Lease, then Landlord agrees to cooperate and allow Franchisor to enter the Premises, without cost and without being liable for trespass and without incurring any liability to Landlord, to remove all signs and all other items identifying the Premises as a PURALIMA Cantina restaurant and to make such other modifications as are reasonably necessary to protect the proprietary marks and franchise system of Franchisor, and to distinguish the Premises from PURALIMA Cantina restaurants. In the event Franchisor exercises its option to acquire title or any other interest in the assets of Tenant, Landlord agrees to permit Franchisor to remove all such assets from the Premises.

6. Consideration; No Liability. Landlord acknowledges and agrees that (i) the provisions of this Addendum are required pursuant to the Franchise Agreement and that Tenant may not lease the Premises without this Addendum, (ii) Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor and that Landlord has entered into this Addendum with full understanding that it creates no duties, obligations, or liabilities of or against Franchisor or any affiliate of Franchisor, and (iii) nothing contained in this Addendum makes Franchisor or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of Franchisor or its affiliates.

7. Modification. No amendment or variation of the terms of this Addendum shall be valid unless made in writing and signed by the parties and the parties have obtained Franchisor's prior written consent thereto.

8. Reaffirmation of Lease. Except as supplemented or modified by this Addendum, all of the terms, conditions, and covenants of the Lease remain in full force and effect.

9. Miscellaneous. Landlord and Tenant agree that Franchisor is a third party beneficiary of this Addendum, with independent rights of enforcement. References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions, and renewals to such documents. References to Landlord, Tenant, and Franchisor include the successors and assigns of each of the parties.

*[signature page follows]*

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

LANDLORD:

TENANT:

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT D**  
**TO THE FRANCHISE AGREEMENT**  
**NON-COMPETITION, NON-DISCLOSURE, AND**  
**PROPRIETARY RIGHTS AGREEMENT**

This Non-Competition, Non-Disclosure, and Proprietary Rights Agreement (the “Agreement”), is made effective as of \_\_\_\_\_, 20\_\_ (“Effective Date”), between PURALIMA Franchising LLC, a Minnesota limited liability company (the “Franchisor”), and \_\_\_\_\_ (“Individual,” or “I”).

\_\_\_\_\_ (“Franchisee”) is a franchisee of Franchisor pursuant to a franchise agreement entered into this same date by those parties concerning a franchised restaurant operating, or to be operated, under the Marks (the “Franchise Agreement”). The franchised restaurant authorized by Franchisor under the Franchise Agreement is known as the “Franchised Restaurant,” which Franchised Restaurant is one among all restaurants that Franchisor owns, operates, or franchises under the Marks. I agree that, unless otherwise specified, all capitalized terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity, Franchisor’s proprietary and confidential information relating to the development and operation of Restaurants, including but not limited to: (1) ingredients, recipes, and methods of preparation and presentation of food products Franchisor authorizes; (2) site selection criteria for Restaurants and plans and specifications for the development of Restaurants; (3) sales, marketing and advertising programs and techniques for Restaurants; (4) identity of suppliers, and knowledge of specifications and pricing for food products, materials, supplies and equipment, Franchisor authorizes; (5) knowledge of operating results and financial performance of Restaurants, other than those Restaurants Franchisee owns; (6) methods of inventory control, storage, product handling, training and management relating to Restaurants; (7) computer systems and software programs; and (8) any and all other information Franchisor provides to me, Franchisee, Franchisee’s Principal Owners or Affiliates, including but not limited to the Operations Manual, that is designated orally or in writing as proprietary or confidential, or by its nature would reasonably be understood to be proprietary or confidential, regardless of whether such information is specifically designated as proprietary or confidential (collectively, all information referenced above, including examples (1) through (8), is known as the “Confidential Information”). Furthermore, any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential is considered (and hereby acknowledged by me as) Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication violates a similar confidentiality agreement), but in no event through any act of mine. I specifically understand that, without limitation, all the above items, concepts, and/or examples contained in the preceding paragraph constitute Confidential Information of Franchisor. I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or database, nor otherwise make them available to any unauthorized person.

I further agree that, during the term of my employment/service/association or ownership participation, I will not, directly or indirectly, engage or participate in any Competitive Business (defined below in this paragraph), any of which such prohibited behavior I understand and hereby explicitly acknowledge would or could be injurious to, or (in Franchisor's sole judgment) have an adverse effect upon, Franchisor's protectable interests in the Confidential Information, the PURALIMA CANTINA and PURALIMA trademarks, or the goodwill and/or reputation of Restaurants generally. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant. For purposes of this Agreement, a "Competitive Business" means any business that: (i) operates as a restaurant or similar food-service provider and derives more than twenty percent (20%) of its revenue from selling either (1) Mexican-themed or Latin-themed foods; or (2) made-to-order food via counter-service; or some combination of (1) and (2); in a fast-casual, quick-service, drive-thru, catering or delivery format; or (ii) grants franchises or licenses to others to operate the type of business specified in clause (i) (other than a "PURALIMA Cantina"- or "PURALIMA"-branded restaurant operated by us or our Affiliates, or under a franchise agreement with us). Despite the foregoing definition of a Competitive Business, nothing under this Agreement or the Franchise Agreement will prevent Individual from owning for investment purposes less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange, and so long as neither Individual nor Franchisee controls the company in question.

Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree: (1) to return immediately to Franchisor or Franchisee, as the case may be, all Confidential Information, and any material(s) containing a subset thereof, in my possession that was utilized, or to which I had access, during my employment, association, service or ownership participation; (2) to refrain, beginning upon such expiration or termination and forever thereafter, from any and all contacts with customers of Restaurants for any purpose whatsoever; and (3) for a period of two (2) years, starting on the effective date of termination or expiration of my employment/service/association or ownership participation, to refrain from directly or indirectly (such as through any one or more of my spouse, domestic partner, parents, children or sibling(s) (collectively, "Immediate Family")) owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating at the Premises or within a fifteen (15)-mile radius of the Premises; (b) any Competitive Business operating within a radius of fifteen (15) miles of any Restaurant in operation or under construction on the effective date of termination or expiration of my employment/service/association/ownership participation; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business. In the event the Premises is located in a metropolitan area having a population of more than 100,000 persons within a ten (10)-mile radius of the Premises, the foregoing fifteen (15)-mile radius restriction will be limited to a radius of ten (10) miles from any Restaurant (including the one formerly operated under this Agreement). I acknowledge and understand that the provisions of this Agreement, including my representations, covenants, and warranties (as applicable) given hereunder, are necessary and integral to this Agreement and to Franchisor's and Franchisee's interests under the Franchise Agreement, and are intended to:

(i) preclude not only direct competition, but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor;

(ii) bind any person or entity having any legal or beneficial interest in me, or traceable to, down or through me, including (without limitation) any of member of my Immediate Family, any direct or indirect beneficiary, any partner (general or limited) or proprietor of mine, and any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me; and

(iii) identify for me, toward the goal of preserving through this Agreement, Franchisor's protectable legal interests in the System, customers of Restaurants, the Confidential Information, and the goodwill associated with the Marks.

I also expressly acknowledge my possession of skills and abilities of a general nature, and the opportunity for exploiting such skills in other ways than the operation or involvement in the activities of a Restaurant or a Competitive Business, so that enforcement of my covenants made in this Agreement will not deprive me of my personal goodwill or ability to earn a living after the effective date of expiration or termination of my relationship with Franchisee, the Franchised Restaurant, or Restaurants generally. If I fail or refuse to abide by any of my foregoing obligations or promises made under this Agreement, and Franchisor or Franchisee obtains enforcement in a judicial or arbitration proceeding, then my obligations and responsibilities specified under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or Franchisor or Franchisee seeks to enforce it, and will continue for two (2) years starting from the effective date of the order enforcing the covenant.

**I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Franchisee, for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Franchisee (or both), in any appropriate jurisdiction and venue (notwithstanding other references to resolution of actions exclusively in Franchisor's home state and/or through arbitration) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of Confidential Information under this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete under this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.**

If all, or any portion of, this covenant not to use Confidential Information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Franchisor is a party, the

court or arbitrator will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I acknowledge and agree that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived, or reduced to practice by me individually or jointly with others during the period of employment/service/association/ownership participation with Franchisee and relating in any way to the business or contemplated business, research, or development of the Franchised Restaurant (regardless of when or where prepared or whose equipment or other resources are used in preparing the same) and all printed, physical, and electronic copies, all improvements, rights, and claims related to the foregoing, and other tangible embodiments thereof (collectively, "Work Product"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents, and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions, and renewals thereof (collectively, "Intellectual Property Rights"), shall be the sole and exclusive property of Franchisor. For purposes of this Agreement, Work Product includes, but is not limited to, information, including plans, strategies, techniques, recipes, agreements and their terms, know-how, databases, manuals, graphics, drawings, sketches, market studies, product plans, original works of authorship, discoveries, marketing information, and advertising information related to the Franchised Restaurant.

I acknowledge that, by reason of my employment/service/association/ownership participation with Franchisee at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in the Copyright Act of 1976 (17 U.S.C. § 101), and such copyrights are therefore owned by the Franchisor. To the extent that the foregoing does not apply, I irrevocably assign to the Franchisor, for no additional consideration, my entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Franchisor's rights, title, or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Franchisor would have had in the absence of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Minnesota without recourse to Minnesota (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Minnesota, and if the Franchised Restaurant is located outside of Minnesota and the provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise,



business opportunity, antitrust, “implied covenant,” unfair competition, fiduciary or any other doctrine of law of the State of Minnesota or any other state, which would not otherwise apply.

I further agree that any dispute arising out of or related to this Agreement, any breach of this Agreement, and any and all relations and/or disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted either through arbitration pursuant to Section 18.05 of the Franchise Agreement (and the arbitration proceedings shall occur in the city of the Franchisor’s corporate headquarters (currently, Minneapolis, Minnesota)) or, if Franchisor initiates litigation, then I agree that any such litigation shall solely be heard by the United States District Court sitting nearest the Franchisor’s corporate headquarters and that any dispute as to the aforementioned venue will be submitted to and resolved exclusively by such aforementioned court. I waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens). Nonetheless, I agree that Franchisee or Franchisor may enforce this Agreement and any awards in the courts of the state or states in which I am domiciled or the Franchised Restaurant is located.

**I, FRANCHISEE AND FRANCHISOR IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ME, FRANCHISEE OR FRANCHISOR.**

*[signature page follows]*

**OWNERSHIP  
INTERESTS IN  
FRANCHISEE**

**OWNER**

**SPOUSE OF OWNER**

_____ %	_____ (Signature)	_____ (Signature)
	_____ (Print Name)	_____ (Print Name)
_____ %	_____ (Signature)	_____ (Signature)
	_____ (Print Name)	_____ (Print Name)
_____ %	_____ (Signature)	_____ (Signature)
	_____ (Print Name)	_____ (Print Name)
_____ %	_____ (Signature)	_____ (Signature)
	_____ (Print Name)	_____ (Print Name)

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT E**  
**TO THE FRANCHISE AGREEMENT**  
**OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the Franchise Agreement dated as of \_\_\_\_\_, 20\_\_ (the "Agreement") by and between PURALIMA Franchising LLC ("Franchisor"), and \_\_\_\_\_ ("Franchisee"), each of the undersigned owners of an interest in Franchisee and his/her spouse personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and that each and every representation of Franchisee made in connection with the Agreement is true, correct and complete in all respects; and (2) agrees personally to be bound by and liable for the breach of each and every provision in the Agreement, including without limitation, Sections 5, 7, 8, 13, 16 and 18 (for the avoidance of doubt, including Section 18.05) thereof. Each of the undersigned confirms the undersigned has (i) received a copy of the Agreement, (ii) read and understood the Agreement, and (iii) had an opportunity to seek legal counsel on the Agreement and this Guaranty.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which the undersigned may otherwise be entitled.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this Guaranty shall be joint and several; (ii) the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned consents and agrees to having any and all disputes arising from or relating, directly or indirectly, to the Agreement and/or this Guaranty decided by binding arbitration on demand of either party, which arbitration shall be administered by the American Arbitration Association and conducted at the city closest to our corporate headquarters at the time of such demand.

Each of the undersigned acknowledges this Guaranty may be executed in one or more counterparts, all of which together constitute one and the same instrument.

*[signature page follows]*

**IN WITNESS THEREOF**, each of the undersigned has hereunto affixed his or her signature, under seal, on the same day and year as the Agreement was executed.

**GUARANTOR(S):**

**PERCENTAGE OF OWNERSHIP INTERESTS IN FRANCHISEE**

**OWNER**

**SPOUSE OF OWNER**

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

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(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

DATE: \_\_\_\_\_,  
Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Notary Public  
My Commission expires: \_\_\_\_\_

**EXHIBIT F**  
**TO THE FRANCHISE AGREEMENT**  
**FRANCHISEE ACKNOWLEDGMENT**

**THIS DOCUMENT SHALL NOT BE SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**DO NOT SIGN THE ACKNOWLEDGEMENT IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, MARYLAND.**

As you know, you and we are entering into a Franchise Agreement for the operation of a PURALIMA Cantina franchise. The purpose of this Franchisee Acknowledgment is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

**Acknowledgments and Representations.**

1. Did you receive a copy of our Franchise Disclosure Document at least 14 calendar days before signing the Franchise Agreement? Check one:  Yes.  No.

2. Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one:  Yes.  No.

3. Is the name, address and phone number of any broker and each of our employees or representatives who was involved in offering you this franchise listed on the Disclosure Document receipt you signed (or on any updated receipt we provided to you)? Check one:  Yes.  No.

4. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise, meaning that any prior oral or written statements not included in the Franchise Agreement or our Disclosure Document will not be binding? Check one:  Yes.  No.

5. Do you understand that the success or failure of your business will depend in large part on your skills and experience, your business acumen, your location, the local market for products, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Check one:  Yes.  No.

6. Do you understand that the franchise is granted for the right to operate the business at the Premises and that other franchisees and us may sell into your Designated Area? Check one:  Yes.  No.

7. Do you understand that we have the right to open and operate and license third parties to open and operate PURALIMA Cantina Restaurants in certain specific locations in your Designated Area called “Non-Traditional Sites”? Check one:  Yes.  No.

8. Do you understand that the Franchise Agreement restricts us only from operating or granting others the right to operate traditional PURALIMA Cantina Restaurants physically located in your Designated Area, but that we and our affiliates may operate and license similar or competitive businesses in your Designated Area under a different name? Check one:  Yes.  No.

9. Do you understand that we have the right to offer, sell or distribute items, including but not limited to food products, associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods (including retail stores, kiosks, mail order, wholesale, the internet, or any other existing or future form of electronic commerce) in your Designated Area, and that you are not entitled to any compensation on account of the sales? Check one:  Yes.  No.

10. Do you understand that if you fail to secure a site or open your restaurant by the deadlines in the Franchise Agreement, you will be in default of your Franchise Agreement unless we grant you an extension in our discretion? Check one:  Yes.  No.

11. Do you understand that if your Restaurant is not open within 9 months of the Effective Date of the Agreement, you must pay us \$7,500 plus 7% of your Gross Sales per month as and for royalty fees each month until your restaurant opens or until we terminate the Franchise Agreement? Do you further understand that if your Restaurant is not open within 9 months of the Effective Date of the Agreement, we may terminate the Franchise Agreement? Check one:  Yes.  No.

12. Do you understand that we or our affiliates may be the only approved supplier for certain products, that you will pay the then-current price in effect for the approved products and other goods and products you receive from us and our affiliates, and that that we may make a profit on those items? Check one:  Yes.  No.

13. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Sections 7 and 16 and that an injunction is an appropriate remedy to protect the interests of the System if you violate the covenant(s)? Check one:  Yes.  No. Further, do you understand that the individual owners of you are subject to non-compete covenants? Check one:  Yes.  No.

14. Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting our brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business,

including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check one:  Yes.  No.

If you answered “No” to any of questions 1-14, please explain the reasons for such answer(s) (attached additional sheets if necessary):

15. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one:  Yes.  No.

16. Except as stated in Item 19 of our Disclosure Document, was any oral, written or visual claim or representation made to you which stated, suggested, predicated or projected your sales, income or profit levels? Check one:  Yes.  No.

17. Except as stated in Item 19 of our Disclosure Document, did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to or different from the information in the Disclosure Document? Check one:  Yes.  No.

If you answered “Yes” to any of questions 15-17, please explain in detail the claim, representation or statement (attached additional sheets if necessary):

18. Did you review the Disclosure Document or Franchise Agreement with an attorney? Check one:  Yes.  No.

19. Did you discuss the franchise system with any existing franchisee prior to executing the Franchise Agreement? Check one:  Yes.  No.

20. Do you understand that all disputes between us must be resolved in arbitration but, only after an in-person meeting and a pre-arbitration mediation have been unsuccessful? Check one:  Yes.  No.

YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS FRANCHISEE ACKNOWLEDGMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

*[Signature page follows.]*

**NOTE: IF THE FRANCHISEE IS AN ENTITY, AN OFFICER AND EACH PRINCIPAL OWNER MUST EXECUTE THIS FRANCHISEE ACKNOWLEDGMENT.**

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_



**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum pertains to franchises sold in the State of Illinois and is for the purpose of complying with Illinois statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the Illinois Franchise laws and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), that has been entered into concurrently with the entering of this Addendum. This Addendum is annexed to and forms part of the Agreement, and the defined terms set forth in the Agreement are used in this Addendum with the same meanings ascribed to them in the body of the Agreement. This Addendum is being executed because the Franchised Restaurant to be operated by Franchisee pursuant to the Agreement will be located in the State of Illinois and/or because Franchisee is a resident of the State of Illinois.

2. **AMENDMENTS.** Notwithstanding anything which may be contained in the body of the Agreement to the contrary, the Agreement is amended as follows:

3. **FORUM FOR LITIGATION.** The following sentence is added to the end of Section 18.07 (“Jurisdiction and Venue”) of the Franchise Agreement:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

4. **GOVERNING LAW.** Section 18.08 of the Franchise Agreement is deleted and replaced with the following:

Illinois law shall govern this Agreement.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Section 18.21 of the Franchise Agreement:

**18.21 Illinois Franchise Disclosure Act.** Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Franchisee’s rights upon termination and non-renewal of a franchise agreement are set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.

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

*[Signatures follow on next page.]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

This Addendum pertains to franchises sold in the State of Maryland and is for the purpose of complying with Maryland statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the Maryland Franchise laws and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), that has been entered into concurrently with the entering of this Addendum. This Addendum is annexed to and forms part of the Agreement, and the defined terms set forth in the Agreement are used in this Addendum with the same meanings ascribed to them in the body of the Agreement. This Addendum is being executed because (a) Franchisee is domiciled in Maryland, and/or (b) the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 13.02, 15.02, 15.03, and 18.15 of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY.** The following sentence is added to the end of Sections 14.01 and 16.01 of the Franchise Agreement:

This Section may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **FORUM FOR LITIGATION.** The following language is added to the end of Section 18.07 (“Jurisdiction and Venue”) of the Franchise Agreement:

Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

5. **GOVERNING LAW.** The following sentence is added to the end of Section 18.08 (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

6. **ACKNOWLEDGEMENTS.** The following is added as a new Section 18.21 to the end of the Franchise Agreement:

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

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the Minnesota Franchise laws and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), that has been entered into concurrently with the entering of this Addendum. This Addendum is annexed to and forms part of the Agreement, and the defined terms set forth in the Agreement are used in this Addendum with the same meanings ascribed to them in the body of the Agreement. This Addendum is being executed because the Franchised Restaurant to be operated by Franchisee pursuant to the Agreement will be located in the State of Minnesota and/or because Franchisee is a resident of the State of Minnesota.

2. **AMENDMENTS.** Notwithstanding anything which may be contained in the body of the Agreement to the contrary, the Agreement is amended as follows:

- (a) **Trademarks.** We will undertake the defense of any claim of infringement by third parties involving the PURALIMA Cantina Marks, and you will cooperate with the defense in any reasonable manner prescribed by us with any direct cost of such cooperation to be borne by us.
- (b) **Termination of Agreement.** Notwithstanding anything to the contrary in the Agreement, we will comply with certain termination and nonrenewal rights that Minnesota law provides to franchisees. As of the date of this Agreement, Minn. Stat. § 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the franchise agreement.
- (c) **Release of Franchisor.** No Section in the Agreement providing for a general release of the Franchisor as a condition of renewal or transfer will act as a release or waiver of any liability incurred under the Minnesota Franchise Act; provided, however, that this provision shall not bar the voluntary settlement of disputes.
- (d) **Miscellaneous.** Sections 18.04 and 18.10 shall be amended by the inclusion of the following at the end of each such Section:

Under Minn. Rules Part 2860.4400J, a franchisee cannot waive any rights to any remedies provided for by Minnesota law and a franchisee cannot consent to the franchisor obtaining injunctive relief, although the franchisor may seek injunctive relief. The court will also determine whether a bond is required.

- (e) **Miscellaneous.** Section 18.07 is amended by the inclusion of the following:

Notwithstanding the foregoing, Minn. Rules Part 2860.4400J prohibits the waiver of a jury trial.

- (f) Miscellaneous. Sections 18.05, 18.07 and 18.08 are amended by adding the following:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rules Part 2860.4400J, this section shall not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80C.

- (g) Insufficient Funds. Section 6.06 is amended by deleting the last sentence and replacing it with the following:

You agree to reimburse us, up to an amount not to exceed Thirty Dollars (\$30), within five (5) days for any and all actual expenses or costs incurred if the debit is not successful due to your failure to have sufficient funds available.

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

This Addendum pertains to franchises sold in the State of New York and is for the purpose of complying with New York statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the New York laws applicable to franchises and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, (the “Franchise Agreement”). This Addendum is being signed because (a) Franchisee is domiciled in the State of New York and the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES.** The following language is added to the end of Section 18.15 of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by Franchisee and any causes of action arising in Franchisee’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TERMINATION OF AGREEMENT – BY FRANCHISEE.** The following language is added as Section 14.01 of the Franchise Agreement:

Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. **INJUNCTIVE RELIEF.** The following sentence is added to the end of Section 18.04:

Franchisor’s right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

5. **FORUM FOR LITIGATION.** The following statement is added at the end of Section 18.07 of the Franchise Agreement:

This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **GOVERNING LAW.** The following is added to the end of Section 18.08 of the Franchise Agreement:

This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

*[Signatures follow on next page.]*

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the North Dakota Franchise laws and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the "Agreement"), that has been entered into concurrently with the entering of this Addendum. This Addendum is annexed to and forms part of the Agreement, and the defined terms set forth in the Agreement are used in this Addendum with the same meanings ascribed to them in the body of the Agreement. This Addendum is being executed because (a) Franchisee is a resident of North Dakota and the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES.** The following is added to the end of Sections 13.02, 15.02, 15.03, and 18.15 of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 16.03 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **GOVERNING LAW.** Section 18.08 of the Franchise Agreement is deleted and replaced with the following:

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND FRANCHISEE WILL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

5. **FORUM FOR LITIGATION.** The following is added to the end of Section 18.07 of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO FRANCHISEE'S MEDIATION AND ARBITRATION OBLIGATIONS, FRANCHISEE

MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Sections 18.07 and 18.10 of the Franchise Agreement are deleted.

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

This Addendum pertains to franchises sold in the State of Rhode Island and is for the purpose of complying with Rhode Island statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the Rhode Island laws applicable to franchises and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Rhode Island and the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 14.01 and 15.01:

Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

3. **GOVERNING LAW / FORUM FOR LITIGATION.** The following language is added to the end of Sections 18.07 and 18.08 of the Franchise Agreement:

SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT “A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT.” TO THE EXTENT REQUIRED BY APPLICABLE LAW, RHODE ISLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE RHODE ISLAND FRANCHISE INVESTMENT ACT.

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

This Addendum pertains to franchises sold in the State of Washington and is for the purpose of complying with Washington statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the Washington laws applicable to franchises and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Washington; and/or (b) the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **WASHINGTON LAW.**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for

inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

The general release a franchisee and its affiliated parties are required to sign to execute a transfer pursuant to Sections 13.02(h) and 15.03 of the Franchise Agreement does not waive any liability against franchisor parties or their affiliates that may arise under the Washington Franchise Investment Protection Act or any rule or order thereunder.

The general release set forth in Section 18.15 of the Franchise Agreement does not waive any liability against franchisor parties or their affiliates that may arise under the Washington Franchise Investment Protection Act or any rule or order thereunder.

Section 16.04 of the Franchise Agreement is modified to the extent necessary to be consistent with RCW 19.100.180(2)(i) and 2(j).

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE PURALIMA FRANCHISING LLC FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

This Addendum pertains to franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. This Addendum shall be of no force and effect unless the jurisdictional requirements of the Wisconsin laws applicable to franchises and any regulations thereunder are met independently without reference to this Addendum.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Wisconsin and the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located in Wisconsin; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Wisconsin.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 14.01 and 15.01:

Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

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

*[Signatures follow on next page.]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company  
or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT C  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**Area Development Agreement (including Rider and state-specific addenda)**

**PURALIMA™ FRANCHISING LLC**  
**AREA DEVELOPMENT AGREEMENT**

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AREA DEVELOPER

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DEVELOPMENT AREA

**PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT**

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## PURALIMA FRANCHISING LLC

### AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (“Agreement”) is made and entered into by and between **PURALIMA FRANCHISING LLC** (“Franchisor,” “we,” or “us”), a Minnesota limited liability company, with its principal place of business located at 746 Mill Street E, Wayzata, Minnesota 55391, and \_\_\_\_\_ (“Developer” or “you”), a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_, as of the date signed by us and set forth below our signature on this Agreement (the “Effective Date”).

#### RECITALS:

- A. We or our own, operate and franchise PURALIMA Cantina™ and/or PURALIMA™ branded restaurants, which are upscale, fast-casual restaurants featuring exceptional, healthy Latin-themed food and related food products that are made-to-order with fresh, high-quality ingredients and assembled in front of our guests behind a service counter. We have developed and own a comprehensive System for developing and operating PURALIMA Cantina restaurants. We license our trademark rights in “PURALIMA”™ and “PURALIMA Cantina”™ and may in the future adopt, use, and license additional or substitute trademarks, service marks, logos, and commercial symbols in connection with the operation of PURALIMA Cantina restaurants (collectively the “Marks”). PURALIMA Cantina restaurants use our business methods, designs and arrangements for developing and operating restaurants, which include the Marks, building designs and layouts, equipment, ingredients, recipes, methods of preparation and specifications for authorized food products, methods of inventory control, marketing and advertising, and certain operating, service and business standards and policies, all of which we may improve, further develop or otherwise modify at any time and from time to time (all of which are collectively referred to as the “System”). As used in this Agreement, a “Restaurant” or “PURALIMA Cantina Restaurant” means a PURALIMA Cantina and/or PURALIMA branded restaurant that we or any of our Affiliates own, operate or franchise that use the Marks and System. Any capitalized terms used herein not otherwise defined shall have the definition assigned to them in the Franchise Agreement for your first Franchised Restaurant signed concurrently with this Agreement.
- B. You acknowledge that you have read this Agreement and our Franchise Disclosure Document. You have conducted an independent investigation and analysis of the prospects for the establishment of Restaurants within the Development Area (as defined below), approve of the Development Schedule (as defined below) as being reasonable, viable, and essential to the potential success of your business and recognize that failure to sign a Franchise Agreement, open a Restaurant or have a cumulative number of Restaurants open and operating, according to the applicable dates set forth in the Development Schedule, give us the right, in our sole discretion, to immediately terminate this Agreement pursuant to Section 5. You recognize that the restaurant industry is highly competitive, with constantly changing market conditions. You recognize that the nature of restaurants may change over time, that an investment in a Restaurant involves business risks and that the

success of the venture is largely dependent on your own business abilities, efforts and financial resources. You have not received or relied on: (a) any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement; or (b) any promises that any parent company or Affiliate will back us up financially or otherwise guarantee our performance.

- C. You and your Principal Owners, if applicable, represent and warrant to us that: (a) neither you nor any of your Principal Owners has made any untrue statement of any material fact or has omitted to state any material fact in obtaining the rights granted hereunder; (b) neither you nor any of your Principal Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in your franchise application submitted to us; and (c) the execution and performance of this Agreement will not violate any other agreement to which you or of any of your Principal Owners may be bound. You recognize that we have approved your franchise application in reliance on all of the statements you and your Principal Owners have made in connection therewith.
- D. You are entering into this Agreement because you want to develop and operate multiple Franchised Restaurants that use the Marks and the System. You recognize that while you will have certain limited rights to transfer your interest in this Agreement, and in the Franchised Restaurants you develop, we are entering into this Agreement with you based on your representation that you intend to personally develop all of the Franchised Restaurants described in this Agreement, and not with a view to reselling your right to open these Franchised Restaurants.

## **AGREEMENTS:**

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

### **1. GRANT OF DEVELOPMENT RIGHTS.**

The following provisions control with respect to the rights granted under this Agreement:

- A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate the number of PURALIMA Cantina Restaurants identified in the Rider (the “Franchised Restaurants”), using the Marks and System and operating within the territory described in the Rider (the “Development Area”).
- B. You agree to be bound by the “Development Schedule” set forth in the Rider. Time is of the essence for the development of each Franchised Restaurant under this Agreement and for the signing of each Franchise Agreement as set forth in the Development Schedule. Each Franchised Restaurant must be developed and operated by you under a separate Franchise Agreement that you enter into with us.
- C. Unless otherwise indicated in the Rider and except as set forth in Section D below or otherwise in this Agreement, if you are in compliance with this Agreement and any and all Franchise Agreement(s) you have with us, we will not develop or operate—or grant anyone

else a franchise to develop and operate—a PURALIMA Cantina Restaurant from any location in the Development Area before the earlier of: (i) the expiration or termination of this Agreement; and (ii) the date on which you must sign the Franchise Agreement for your last Franchised Restaurant under the terms of the Development Schedule. Notwithstanding anything in this Agreement, when the earliest of the above events occurs: (i) the Development Area will expire; and (ii) we will be entitled to develop and operate—or to franchise others to develop and operate—PURALIMA Cantina Restaurants from locations in the Development Area, except as may be otherwise provided under any Franchise Agreement that has been signed between us and you and that has not been terminated. If at any time you fail to comply with the Development Schedule, we may in lieu of terminating this Agreement, choose, in our sole discretion, to replace any portion of the Development Area that is not then part of a Designated Area under a fully executed Franchise Agreement with territory that will be identified at the time you demonstrate an intent and ability to execute the next Franchise Agreement called for under the Development Schedule.

If the Development Area covers more than one city, county, or designated market area, the protection granted under this Agreement for each particular city, county or designated market area will also expire on the date when we determine the designated area to be given to you under the franchise agreement for your final Franchised Restaurant to be developed in that city, county, or designated market area.

- D. You acknowledge and agree that other than as set forth in Section C above, we and our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all rights and discretion with respect to the Marks, the System, the sale of products and services similar or dissimilar to those offered by PURALIMA Cantina Restaurants, and the operation or franchising of PURALIMA Cantina Restaurants anywhere located or to be located, and may engage in any business activities whatsoever, within or outside the Development Area, whenever and wherever we desire. Specifically, by way of example and without limitation, we reserve the following rights: (a) to establish and operate, and grant to others the right to operate, PURALIMA Cantina Restaurants physically located outside the Development Area, on such terms and conditions as we deem appropriate (you acknowledge that such PURALIMA Cantina Restaurants may be in direct competition with your Franchised Restaurant(s), without regard to any adverse effects of such activities on your Franchised Restaurant(s) and without any obligation or liability to you), which includes the right of us and others to perform Catering Services or Delivery Services in your Development Area; (b) to establish and operate, and grant to others the right to operate, PURALIMA Cantina Restaurants, or other restaurants using any part or all of the System and/or Marks, that are located at or operated from Non-Traditional Sites within or outside the Development Area; (c) to sell any products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution, wherever located or operating (including, without limitation, the internet or similar electronic media and physical outlets like kiosks, convenience stores or supermarkets); (d) to establish and operate, and grant to others the right to operate, restaurants identified by trademarks, service marks or trade dress, other than the Marks (including the “PURALIMA Cantina” and “PURALIMA” names and marks), pursuant to such terms and conditions as we deem appropriate and wherever such restaurants are located, which restaurants may be located within the Development Area; (e) to acquire the

assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at PURALIMA Cantina Restaurants, and to franchise, license or create similar arrangements with respect to these businesses once acquired, and which businesses we may (at our sole discretion, and without obligation) convert, or allow to be converted, to operations as PURALIMA Cantina Restaurants using any of the Marks and/or the System, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Development Area, if applicable); and (f) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at PURALIMA Cantina Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Development Area.

## **2. DEVELOPMENT FEE.**

You must pay us a Development Fee in the amount set forth in the Rider. This fee is payable in full when you sign this Agreement. However, you will not be required to pay an initial franchise fee for any of the Franchised Restaurants you develop under this Agreement.

- A. You will sign the Franchise Agreement for your first Franchised Restaurant concurrently with this Agreement. A separate Franchise Agreement must be signed for each Franchised Restaurant as it is identified, which must be consistent with the Development Schedule. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of the Franchised Restaurant.
- B. The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement, and is non-refundable. If you fail or choose not to develop any Franchised Restaurant that is permitted under this Agreement, you will not be entitled to any return or refund of the Development Fee or any portion thereof.

## **3. DEVELOPMENT SCHEDULE.**

The following provisions control with respect to your development rights and obligations:

- A. You must comply with the Development Schedule requirements regarding: (i) the execution of the Franchise Agreements; (ii) the opening date for each Franchised Restaurant; and (iii) the cumulative number of Franchised Restaurants to be open and continuously operating for business in the Development Area. If you fail to either sign a Franchise Agreement or to open a Franchised Restaurant according to the dates set forth in the Development Schedule, we, in our sole discretion, may immediately terminate this Agreement under Section 5, or alter your Development Area as described in Section 1.C.
- B. You may not open a Franchised Restaurant under this Agreement unless you meet each of the following conditions (these conditions apply to each Franchised Restaurant to be developed in the Development Area):
  - 1. You must not be in default of this Agreement, any Franchise Agreement entered into

under this Agreement, or any other agreement between you or any of your Affiliates and us or any of our Affiliates. You also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Franchised Restaurants.

2. You and we have entered into our then-current form of Franchise Agreement and such other agreements that we require for the grant of PURALIMA Cantina franchises for the proposed Franchised Restaurant. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations; *provided, however*, that you will not be required to pay any initial franchise fee under any of those agreements. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of the Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Franchised Restaurant must be in accordance with the terms of the applicable Franchise Agreement.
3. You will be solely responsible for identifying, submitting for our approval, and securing specific sites for each Franchised Restaurant. The following terms and conditions shall apply to each Franchised Restaurant to be developed hereunder: We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. You will submit to us, in a form specified by us, a completed site approval package, which shall contain such information or materials as we may reasonably require. We will use reasonable efforts to approve or disapprove the proposed site for the Franchised Restaurant within thirty (30) days after receipt of the site approval package. In the event we do not approve a proposed site by written notice to you within said thirty (30) days, such site shall be deemed disapproved by us. No site shall be deemed approved unless it has been expressly approved in writing by us. If we do not approve of a proposed site, you must identify and notify us of new sites until we approve a site for the Franchised Restaurant
4. You hereby acknowledge and agree that approval by us 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 Restaurant or for any other purpose. Approval by us of the site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for its purposes as of the time of the evaluation. Both we and you 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 approval by us of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site approved by us to meet your expectations as to revenue or operational criteria.

#### 4. TERM.



Unless sooner terminated in accordance with Section 5 of this Agreement, the term of this Agreement and all rights granted to you will expire on the date that you sign the Franchise Agreement for the last Franchised Restaurant that is scheduled to be opened under the Development Schedule. There are no rights of renewal under this Agreement.

## **5. DEFAULT AND TERMINATION.**

You will be deemed in default under this Agreement if you breach any of the terms of this Agreement or if you or any Affiliate of yours breaches any of the terms of any Franchise Agreement or any other agreement that you or your Affiliates have with us or our Affiliates.

All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, commit any affirmative action of insolvency, or file any action or petition of insolvency; (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority; (iii) you make a general assignment or other similar arrangement for the benefit of your creditors; (iv) a final judgment against you remains unsatisfied of record for thirty (30) days or longer; (v) execution is levied against your business or property, or the business or property of any of your Affiliates that have entered into Franchise Agreements with us; (vi) a suit to foreclose any lien or mortgage against premises or equipment is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; (vii) you fail to meet your development obligations set forth in the Development Schedule; (viii) you or any of your Affiliates open any Franchised Restaurants before that person or entity has signed a Franchise Agreement with us for that Franchised Restaurant in the form we provide; (ix) you fail to comply with any other provision of this Agreement, or your or any of your Affiliates fail to comply with any other agreement you or they have with us or our Affiliates and do not correct the failure within thirty (30) days after written notice of that failure is delivered to the breaching party (except that if the failure to comply is the third (3<sup>rd</sup>) failure to comply with any provision of any agreement that you or any of your Affiliates have with us or an Affiliate of ours within twelve (12) consecutive months, then we need not provide any opportunity to cure the default); or (x) we have delivered to you or any of your Affiliates a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions will, to the extent such are not in accordance with applicable law, be superseded by said law, and the Franchisor will comply with applicable law in connection with each of these matters.

## **6. RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION.**

Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

- A. All remaining rights granted to you to develop Franchised Restaurants under this Agreement will automatically be revoked and will be null and void. We will have the right to develop the Development Area or to contract with one or more other franchisees for the

future development of the Development Area. You will not be entitled to any refund of any fees.

- B. You must within fifteen (15) days of the termination or expiration pay all sums owing to us and our Affiliates. In addition, in the event of any default by you that results in a premature termination of this Agreement (regardless of which party actually terminates this Agreement), in addition to any other remedies available to us, you must pay us, as a measure of our actual damages and not as a penalty, an amount equal to Twenty-Five Thousand Dollars (\$25,000) for each of the first two (2) Franchise Agreements you failed to sign as required by this Agreement plus Ten Thousand Dollars (\$10,000) for each additional Franchise Agreement you failed to sign as required by this Agreement. You agree that this amount is in addition to the Development Fees paid under this Agreement, and is for lost revenues from royalty fees and other amounts payable to us, including the fact that you were holding the development rights for those Franchised Restaurants and precluding the development by others of Restaurants in the Development Area. Notwithstanding your agreement, if a court determines that this damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages.

## **7. TRANSFER.**

The following provisions govern any transfer:

- A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity. Upon any transfer of this Agreement by us or any of our legal rights and obligations hereunder, we will be released from all such obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer.
- B. We enter into this Agreement with specific reliance on your personal experience, skills, and managerial and financial qualifications. Consequently, this Agreement—and your rights and obligations under it—is and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent.
  - 1. As used in this Agreement, the term “Transfer” means any sale, assignment, lease, gift, pledge, mortgage, or any other encumbrance, transfer by bankruptcy, transfer by your permanent disability or death, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law, or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you. You acknowledge that these provisions prohibit you from subfranchising or sublicensing any right you have under any agreement with us, and that your intent in entering into this Agreement is that you (and not any licensee or transferee) will be opening and operating the Franchised Restaurants to be developed under this Agreement. In addition, if there are two (2) individuals signing this Agreement as Developer, and one (1) of those individuals is no longer involved in the ownership of the business that is developing Franchised Restaurants, the withdrawal of that person will be considered a Transfer. A

Transfer will also be deemed to occur when there are more than two (2) people listed as the Developer and there is a change of the ownership of the business such that less than a majority of the original signatories continue to have a majority interest in the equity of the business.

2. We will not charge you any fee in connection with your Transfer of your interest in this Agreement. However, as a condition to our approval of any Transfer, you must sign Franchise Agreements for all of the Franchised Restaurants to be developed under this Agreement, you must transfer all of those agreements to the same person or entity that acquires your interest in this Agreement, and you must comply with all of the conditions for transferring each of those agreements, including any requirement to pay a transfer fee in connection with the transfer of each of those agreements.
3. The restriction on Transfer contained in this Agreement does not apply to, or otherwise restrict, your right to transfer any interest in any Franchise Agreement you previously signed for any Franchised Restaurant to be developed under this Agreement. You may transfer those agreements apart from any rights you have in this Agreement, provided you comply with the transfer provisions of each agreement you seek to transfer.
4. We may expand upon, and provide more details related to, the conditions for Transfer and our consent as described in this Section 7, and may do so in our operations manual or otherwise in writing.

8. **ACKNOWLEDGEMENTS.** To induce us to execute this Agreement, you represent and warrant to us as follows:

- A. You recognize and acknowledge the importance of maintaining our standards for service, and further recognize and acknowledge the importance of following the System with respect to the development and operation of Franchised Restaurants.
- B. You have the entire control and direction of the Franchised Restaurants to be opened and operated by you, subject only to the conditions and covenants established by the Franchise Agreements for those Franchised Restaurants. You acknowledge that the businesses to be operated under those Franchise Agreements involve business risks, and that your success shall be largely determined by your own skill and efforts as an independent business person.
- C. You have entered into this Agreement after making an independent investigation of our operations and history and not upon any representation as to profits which you might be expected to realize and that no one has made any representation to induce you to accept the franchise granted hereunder and to execute this Agreement, except as may be set forth in the Franchise Disclosure Document you acknowledge receiving at least fourteen (14) days prior to the date you paid us or any Affiliate any money or executed any agreement with us or any Affiliate.

9. **MISCELLANEOUS.**

You acknowledge that other PURALIMA Cantina franchisees/area developers have or will be

granted franchises or area development rights at different times and in different situations, and further acknowledge that the provisions of such agreements may vary substantially from those contained in this Agreement. You shall not complain on account of any variation from standard specifications and practices granted to any other franchisee/area developer and shall not be entitled to require us to grant to you a like or similar variation thereof. The provisions set forth in the Franchise Agreement for your first Franchised Restaurant containing any covenants not to compete, confidentiality obligations, enforcement provisions, indemnification obligations, notice provisions, and sections referenced as “Relationship of the Parties” and “Miscellaneous” are incorporated into this Agreement by reference and will be applicable to this Agreement until such time as you sign a subsequent Franchise Agreement, at which time the provisions of the new agreement relating to covenants not to compete, confidentiality obligations, enforcement provisions, indemnification obligations, notice provisions, and sections referenced as “Relationship of the Parties” and “Miscellaneous” will be incorporated into this Agreement by reference in place of the previous provisions. Likewise, if you later sign yet another Franchise Agreement, at all times, the provisions contained in the last Franchise Agreement you sign with us, which relate to covenants not to compete, confidentiality obligations, enforcement provisions, indemnification obligations, notice provisions, and sections referenced as “Relationship of the Parties” and “Miscellaneous” are hereby incorporated into this Agreement by reference in place of the previous provisions. You acknowledge having received a copy of our current form of Franchise Agreement for use in the sale of Franchised Restaurants, and that until you sign an agreement for your first Franchised Restaurant, the provisions of the form we provided to you relating to these matters will be deemed incorporated in this Agreement by reference and applicable to this Agreement. Any reference to the expression “this Agreement” in those Sections will be interpreted as a reference to this Area Development Agreement, any reference to “Franchisee” or “you” in those Sections will read as “Developer,” and any reference to “Designated Area” will read as “Development Area.” Any provisions of this Agreement which, by their nature, may or are to be performed following expiration or termination of this Agreement, will survive termination or expiration.

**No Waiver or Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

**[THIS AGREEMENT CONTINUES WITH A RIDER,  
WHICH IS A PART OF THIS AGREEMENT]**

**AREA DEVELOPMENT AGREEMENT RIDER**

**1. Development Area:**

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If the Development Area references one or more areas yet to be determined, then we reserve the right to develop and operate Restaurants in and around the above-described city, county, or area, and to sell franchises and grant territories to others—including through area development agreements—who will operate Restaurants in and around the above-described city, county, or area. You may then be required to choose a final area for your Development Area outside of any protected territory given to us or to any other franchisee or area developer, which final area may be outside of the county, city, or area identified above. Should this happen, you would have to obtain our review and approval for a new Development Area.

**2. Number of Franchised Restaurants** to be opened in the Development Area: \_\_\_\_\_

**3. Development Fee:** You acknowledge and agree that a material provision of this Area Development Agreement is that the following fee indicated, which directly correlates with the number of Franchised Restaurants you intend to open, is due and payable to Franchisor upon execution of this Agreement: \_\_\_\_\_

**4. Development Schedule:** You acknowledge and agree that a material provision of this Area Development Agreement is that the following number of Franchised Restaurants must be opened and continuously operated by you in the Development Area in accordance with the following Development Schedule:

FRANCHISED RESTAURANT NUMBER	DATE BY WHICH FRANCHISE AGREEMENT MUST BE SIGNED	DATE BY WHICH THE FRANCHISED RESTAURANT MUST BE OPENED AND OPERATED BY YOU IN THE DEVELOPMENT AREA*	CUMULATIVE NUMBER OF FRANCHISED RESTAURANTS TO BE OPENED AND OPERATED BY YOU IN THE DEVELOPMENT AREA AS OF THE DATE IN PRECEDING COLUMN
1	Date of this Agreement	9 months from the Date of this Agreement	1
2	9 months from the Date of this Agreement	18 months from the Date of this Agreement	2
3	18 months from the Date of this Agreement	27 months from the Date of this Agreement	3
4	27 months from the Date of this Agreement	36 months from the Date of this Agreement	4
5	36 months from the Date of this Agreement	45 months from the Date of this Agreement	5

For purposes of determining compliance with this Development Schedule, only the Franchised Restaurants you actually open and continuously operate in the Development Area for at least the first six (6) months after opening will be counted toward the number of Franchised Restaurants required to be open and operated by you.

*[Signature page follows.]*

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

**PURALIMA FRANCHISING LLC,**  
a Minnesota limited liability company

**DEVELOPER & PRINCIPAL OWNERS**  
If an Entity:

By: \_\_\_\_\_

\_\_\_\_\_  
(Name of Entity)

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

\*Effective Date: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Individually and as a Principal Owner

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Individually and as a Principal Owner

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Individually and as a Principal Owner

If individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**EXHIBIT A**  
**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND**  
**PERSONALLY BY THE TERMS AND CONDITIONS**  
**OF THE AREA DEVELOPMENT AGREEMENT**

In consideration of the execution of the Area Development Agreement (the “**Agreement**”) between **PURALIMA FRANCHISING LLC** (“**we**” or “**us**”) and \_\_\_\_\_ (the “**Developer**”), dated \_\_\_\_\_, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually, and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms, and conditions in the Agreement, to be paid, kept, and performed by the Developer, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an Area Development Agreement containing the identical terms and conditions of the Agreement.

The undersigned waive: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he or she may have to require that an action be brought against the Developer or any other person as a condition of liability; and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the Developer.

In addition, the undersigned consent and agree that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the Developer or any other person; (2) the liability will not be diminished, relieved or otherwise affected by the Developer’s insolvency, bankruptcy, or reorganization, the invalidity, illegality, or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; and (3) this Personal Guaranty will apply in all modifications to the Agreement of any nature agreed to by Developer with or without the undersigned receiving notice thereof.

It is further understood and agreed by the undersigned that the provisions, covenants, and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

*[Signature page follows.]*



**IN WITNESS THEREOF**, each of the undersigned has hereunto affixed his or her signature, under seal, on the same day and year as the Agreement was executed.

**GUARANTOR(S):**

**PERCENTAGE OF  
OWNERSHIP  
INTERESTS IN  
DEVELOPER**

**OWNER**

**SPOUSE OF OWNER**

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

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(Signature)

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(Print Name)

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\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

**EXHIBIT B**  
**STATE-SPECIFIC ADDENDA**

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all PURALIMA Cantina franchises offered and sold in the state of Illinois:

This Illinois Addendum is only applicable if the developer is domiciled in Illinois or if the offer of the franchise is made or accepted in Illinois and the franchise business is or will be located in Illinois.

1. Notwithstanding the fact that the Area Development Agreement requires that the Agreement be governed by the laws of the State of Minnesota, to the extent required by Rule 200.608 of the Illinois Franchise Disclosure Laws, the Agreement shall be governed and construed in accordance with the laws of the State of Illinois.

2. The other conditions under which your franchise can be terminated and your rights of nonrenewal may be affected by Illinois Law, 815 Illinois Compiled Statutes 705/19 and 705/20.

3. Section 4 of the Illinois Franchise Disclosure Act states that “Any provision of a franchise agreement which designates jurisdiction or venue in a forum outside of this state (Illinois) is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.”

4. Any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive requirements with any provisions of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

5. Section 5 of the Area Development Agreement shall be modified by the addition of the following sentence at the end of such section.

“To the extent required by Illinois law, the Franchisor shall provide reasonable notice to the Developer with the opportunity to cure any defaults under this Section 5, to the extent required by Illinois law, which in no event shall be less than ten (10) days, and in no event shall such notice be required to be greater than thirty (30) days.”

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

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF MARYLAND**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede and apply to all PURALIMA Cantina franchises sold to residents in the state of Maryland:

1. Section 5 of the Area Development Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.

2. Section 9 of the Area Development Agreement is revised to include the following language:

“Notwithstanding the standing provisions of this section, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.”

3. The representations made in the Area Development Agreement are not intended to nor should they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Section 7 of the Area Development Agreement is revised to provide that, pursuant to COMAR 02.02.08.16L, the general release required as a condition to renewal, sale or consent to assignment/transfer, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. The Area Development Agreement states that Minnesota law generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Maryland law, and we will comply with that law in Maryland.

6. Notwithstanding anything to the contrary in the Area Development Agreement, nothing will prevent the Franchisee from filing suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

8. Each provision to this Addendum to the Development Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the

Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC**, a  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede and apply to all PURALIMA Cantina franchises offered and sold in the state of Minnesota:

This Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Franchisor will comply with Minn. Stat. Section 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that the Developer be given 90 days' notice of termination (with 60 days to cure).

3. Franchisor shall not require Developer to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes

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

*[Signature page follows.]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF NEW YORK**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all PURALIMA Cantina franchises offered and sold in the state of New York:

This New York Addendum is only applicable if you are a resident of New York or if your business will be located in New York.

1. Section 9 of the Area Development Agreement is revised to include the following language:

Provided, however, that all rights arising under Franchisee's favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.

2. The Area Development Agreement is modified by the addition of the following to Section 5:

In addition, Franchisee shall have the right to terminate the Area Development Agreement to the extent allowed under applicable law.

3. Section 7 of the Area Development Agreement is revised to include the following:

Franchisor will not make an assignment except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume its obligations under the Agreement.

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

*[Signature page follows.]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all PURALIMA Cantina franchises offered and sold in the state of North Dakota:

This North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Section 9 of the Area Development Agreement is amended to provide that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.

2. Section 6.B of the Area Development Agreement is modified to delete any requirement that franchisee consent to termination penalties or liquidated damages.

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF RHODE ISLAND**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all PURALIMA Cantina franchises offered and sold in the state of Rhode Island:

1. The following paragraph is added to the end of Section 5:

Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. The following language is added to the end of Section 9 :

SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT "A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT." TO THE EXTENT REQUIRED BY APPLICABLE LAW, RHODE ISLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE RHODE ISLAND FRANCHISE INVESTMENT ACT.

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

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC**, a  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF WASHINGTON**

Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all PURALIMA Cantina franchises offered and sold in the state of Washington:

This Washington Addendum is only applicable if you are a resident of Washington or if your business will be located in Washington.

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Area Development Agreement and your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Area Development Agreement and your relationship with us, including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, to the extent required by the Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. To the extent required by the Act, a release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Area Development Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitation period for claims under the Act, rights or remedies under the Act, such as rights to jury trial might not be enforceable; however, we agree to enforce them to the extent the law allows.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

*[Signature page follows.]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PURALIMA FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR THE STATE OF WISCONSIN**

This Amendment pertains franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin's statutes and regulations. This Wisconsin Addendum is only applicable if you are a resident of Wisconsin and your business will be located in Wisconsin, or if the offering or sales activity relating to the Area Development Agreement occurred in Wisconsin. Notwithstanding anything to the contrary set forth in the PURALIMA FRANCHISING LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all PURALIMA Cantina franchises offered and sold in the state of Wisconsin:

1. Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Area Development Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Area Development Agreement, Developer shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

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

*[Signature page follows.]*



Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**PURALIMA FRANCHISING LLC, a**  
Minnesota limited liability company

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D**  
**TO THE PURALIMA FRANCHISING LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**Example Letter of Intent**

Date

Name

Address Line 1

Address Line 2

City, State Postal Code

Dear NAME(s):

Thank you for your interest in becoming a franchising partner with PURALIMA Franchising LLC (“PURALIMA”). This Letter of Intent sets forth certain terms relating to your application to become a franchisee and our evaluation of your application. Please read this Letter of Intent carefully and sign below to acknowledge that you agree to these business terms and conditions.

Franchisee: NAME OF INDIVIDUAL OR ENTITY FRANCHISEE

Preliminary Designated Area: PRELIMINARY DESIGNATED AREA. Upon submission to a background check and credit check (the “Background Check”), we will reserve this Preliminary Designated Area exclusively for you and will not offer it to any other franchisee until the earlier of (1) 30 calendar days following confirmation that you have submitted to the Background Check, and (2) our determination, based on the results of the Background Check and in our sole and absolute discretion, that you are unsuitable to run a franchised Restaurant (the earlier date, the “Expiration Date”).

You agree and acknowledge that: (i) you may have access to certain confidential information not generally known to the public relating to the products, sales, or business of PURALIMA (together with documents, data, or information containing or derived from the foregoing, the “Confidential Information”); (ii) the Confidential Information constitutes a special, valuable, and unique asset of PURALIMA that derives value in part from not being generally known to the public; (iii) the Confidential Information will remain the exclusive property of PURALIMA; (iv) you will not use the Confidential Information for any purpose other than the development of one or more PURALIMA CANTINA™ restaurants in connection with one or more Franchise Agreements; and (v) you will not disclose the Confidential Information to any person or permit any person to use, view, or access the Confidential information without the prior written consent of PURALIMA.

The purpose of this Letter of Intent is to set forth certain terms relating to your development of one or more PURALIMA CANTINA™ restaurants and to temporarily reserve your Preliminary Designated Area in exchange for you submitting to and passing to our satisfaction the Background Check. However, if you have not signed one or more Franchise Agreements by the Expiration Date, this Letter of Intent will expire, and your Preliminary Designated Area will no longer be reserved and will be made available to other potential franchisees.

ACCEPTED AND AGREED:

PURALIMA FRANCHISING LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE

FRANCHISEE: (For an entity)

Name of Entity: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE: (For an individual)

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**Operations Manual Table of Contents**

See attached.

# Operating Standards Manual

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**EXHIBIT F  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**List of Franchisees as of December 31, 2023**

<b>Franchisee</b>	<b>Location</b>	<b>Status</b>	<b>Address</b>	<b>Phone</b>
Guac On, Inc.	Wayzata, MN	Not open	1022 W Lantana Circle, Sioux Falls, SD 57108	(605) 400-6862
	Edina, MN	Not open		
	Blaine, MN	Not open		
	Eden Prairie, MN	Not open		
	Maple Grove, MN	Not open		
	Woodbury, MN	Not open		

**List of Franchisees Who Have Left the System**

<b>Franchisee</b>	<b>Location</b>	<b>Phone</b>
Serving Him, LLC	Des Moines, IA	(843) 814-6553
Serving Him, LLC	Des Moines, IA	(843) 814-6553
Goodman Hospitality Wayzata LLC	Wayzata, MN	(952) 361-8023

**EXHIBIT G  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**Financial Statements of PURALIMA Franchising LLC**



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' ACKNOWLEDGMENT

PURALIMA Franchising LLC  
Wayzata, Minnesota

We agree to the inclusion in the Franchise Disclosure Document dated May 13, 2024, issued by PURALIMA Franchising LLC ("Franchisor") of our report dated May 13, 2024, relating to the financial statements of Franchisor as of and for the year ended December 31, 2023 and period ended December 31, 2022.

**CliftonLarsonAllen LLP**

10400 W Innovation Drive, Suite 300  
Milwaukee, Wisconsin 53226  
414-721-7659  
[www.claconnect.com](http://www.claconnect.com)

May 13, 2024

**PURALIMA FRANCHISING LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

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## INDEPENDENT AUDITORS' REPORT

Member  
PURALIMA Franchising LLC  
Wayzata, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of PURALIMA Franchising LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's equity, and cash flows for the years 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 PURALIMA Franchising LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



**CliftonLarsonAllen LLP**

Tampa, Florida  
May 13, 2024

**PURALIMA FRANCHISING LLC  
BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 500	\$ 500
Prepaid Expenses	3,994	-
Due from Parent	521,108	328,000
Total Current Assets	525,602	328,500
<b>OTHER ASSETS</b>		
Deferred Franchise Costs	-	50,000
Total Assets	\$ 525,602	\$ 378,500
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>LONG-TERM LIABILITIES</b>		
Deferred Revenue, Net of Current Amount	\$ 329,400	\$ 178,500
Total Liabilities	329,400	178,500
<b>MEMBER'S EQUITY</b>		
Total Liabilities and Member's Equity	\$ 525,602	\$ 378,500

See accompanying Notes to Financial Statements.



**PURALIMA FRANCHISING LLC  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>REVENUES</b>		
Franchise Sales	\$ 153,500	\$ -
Royalty Income - Related Party	50,888	-
Marketing Revenue - Related party	14,539	-
Technology Revenue - Related Party	4,470	-
Total Revenues	223,397	-
 <b>OPERATING EXPENSES</b>		
Management Fee	50,000	-
Legal Fees	5,983	-
Total Operating Expenses	55,983	-
 <b>NET INCOME</b>	\$ 167,414	\$ -

See accompanying Notes to Financial Statements.

**PURALIMA FRANCHISING LLC  
STATEMENTS OF MEMBER'S EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Member's Equity
<b>BALANCE - DECEMBER 31, 2021</b>	\$ 200,000
Net Income	-
<b>BALANCE - DECEMBER 31, 2022</b>	200,000
Net Income	167,414
Distributions to Member	(171,212)
<b>BALANCE - DECEMBER 31, 2023</b>	<b>\$ 196,202</b>

*See accompanying Notes to Financial Statements.*

**PURALIMA FRANCHISING LLC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 167,414	\$ -
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Changes in Operating Assets and Liabilities:		
Prepaid Expense	(3,994)	-
Due from Related parties	(193,108)	(128,500)
Deferred Costs	50,000	(50,000)
Deferred Revenue	150,900	178,500
Net Cash Provided by Operating Activities	171,212	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member Distributions	(171,212)	-
Net Cash Provided (Used) by Financing Activities	(171,212)	-
<b>NET CHANGE IN CASH</b>	-	-
Cash - Beginning of Year	500	500
<b>CASH - END OF YEAR</b>	\$ 500	\$ 500

See accompanying Notes to Financial Statements.

**PURALIMA FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

PURALIMA Franchising LLC (the Company), a wholly owned subsidiary of PURALIMA LLC (the Parent), operates a franchising business under the concept name PURALIMA®. The Company offers franchises in a majority of the states. The Company was organized in the state of Minnesota. The Company's year-end is December 31.

**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).

**Accounting Estimates**

Management uses estimates and assumptions in preparing the financial statement in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect. The company considers various factors such as borrowers creditworthiness, loan-to-value ratios, and collateral values to estimate credit losses. The Company reviews its estimate of expected credit losses on a regular basis adjusting an allowance as necessary based on changes in economic conditions, customer creditworthiness, and other factors. Any changes in the estimate of expected credit losses are recorded as an adjustment to receivable balances and are reflected in the statement of operations. The Company believes expected credit losses are not material to the financial statements.

**Deferred Costs**

Deferred costs represents costs that have been incurred, but which will not be recognized until future periods.

**Deferred Revenue**

Deferred revenue represents franchise fees received that have not been fully earned and will be recognized in future periods.

**Income Taxes**

The Company elected under the Internal Revenue Code and comparable state laws to become a limited liability company in the form of a single-member limited liability company subsidiary and files combined federal and Minnesota income tax returns with its Parent. Accordingly, income is not taxable at the Company level but passes through to the Parent. Consequently, the Company may declare distributions periodically to the Parent to enable it to pay its income tax liabilities. Primarily due to the limited liability company subsidiary tax status, the Company does not have any significant tax uncertainties that would require recognition or disclosure. As the Company was incorporated in 2021, all income tax returns are open for examinations upon filing.

**PURALIMA FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also added Subtopic 340-40, *Other Assets and Deferred Costs- Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. The Company adopted the requirements of the new guidance upon inception.

The primary result of Topic 606 on the Company's revenue recognition policies is the accounting for initial franchising fees. Upon the initial sale of a franchise, the Company is obligated to provide franchisees access to certain proprietary programs, written materials, trademarks, tools, and support associated with their franchise business. Under Topic 606, initial franchise fees will be recognized as the Company satisfies the performance obligation over the franchise term on a straight-line basis, which is generally ten years from the date a store opens. The unrecognized portion of initial franchising fees will be recorded as deferred revenue.

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 adopted the requirements of the new guidance upon inception, The Company also made an accounting policy election to recognize certain pre-opening services as a single performance obligation.

The Company generates revenue primarily through royalties, franchise fees, and marketing fees.

**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 from the date a store opens. Initial franchise fees are recognized at the date the franchise opened upon incurring pre-opening service costs equal to, or in excess of, the initial franchise fees. Any remaining revenues will be recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include: training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company 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.

**PURALIMA FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Franchise Fees (Continued)

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.

Royalties and Marketing Fee Revenue

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 7% of gross sales with a minimum monthly fee of \$7,500 if the franchisee fails to open within a prescribed time period and marketing fee equal to 2% of gross sales. Royalties, including franchisee contributions to marketing fees, are calculated as a percentage of sales over the term of the franchise agreement. The franchise agreement royalties, inclusive of marketing fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties and marketing fees are collected monthly.

Disaggregation of Revenue

The Company believes that the captions contained on the statements of operations appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2023 and 2022.

**Adoption of New Accounting Standard**

The Company has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the Company's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The Company also updated its accounting policies for determining the recoverability of trade receivables, loans, and other financial assets. The adoption of this Standard did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined.

**NOTE 2 FRANCHISE SALES AND AGREEMENTS**

At December 31, 2023 and 2022, there were six and three, respectively, franchise agreements signed but not in operations. There is one location in operation, which is currently owned by the Parent of the Company through a wholly owned subsidiary at December 31, 2023.

**PURALIMA FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 3 CONTRACT ASSETS AND LIABILITIES**

The Company's contract assets and contract liabilities are as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract Liabilities:			
Deferred Franchise Fees	<u>\$ 329,400</u>	<u>\$ 178,500</u>	<u>\$ -</u>

**NOTE 4 TRANSACTIONS WITH RELATED PARTIES**

The Company has an agreement with related party through common ownership, Steele Brands LLC, to provide a commission in exchange for obtaining franchisees. The deferred commission at December 31, 2023 and 2022 is \$-0- and \$50,000, respectively. During the years ended December 31, 2023 and 2022, the Parent's one corporate owned location paid a 7% sales royalty of \$50,888 and \$-0-, respectively, a 2% marketing fee that totaled \$14,539 and \$-0-, respectively, and technology fee of \$4,470 and \$-0-, respectively to the Company. At December 31, 2023 and 2022, the Company has receivables due from Parent of \$521,108 and \$328,000, respectively.

**NOTE 5 MEMBER'S EQUITY**

The Parent contributed \$200,000 to the Company in exchange for the issuance of 100% of the Company's membership interest. The membership interest in the Company owned by the Parent is the only class of membership interest issued and outstanding as of December 31, 2023 and 2022.

**NOTE 6 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 13, 2024, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.



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**PURALIMA FRANCHISING LLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022 AND PERIOD FROM**  
**MAY 20, 2021 (INCEPTION DATE) TO DECEMBER 31, 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**PURALIMA FRANCHISING LLC  
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MAY 20, 2021 (INCEPTION DATE) TO DECEMBER 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

Member  
PURALIMA Franchising LLC  
Wayzata, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of PURALIMA Franchising LLC, which comprise the balance sheets as of December 31, 2021 and 2022, and the related statements of operations, member's equity, and cash flows for the year ended December 31, 2022 and the period from May 20, 2021 (Inception Date) to December 31, 2021, 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 PURALIMA Franchising LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year and period then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



**CliftonLarsonAllen LLP**

Tampa, Florida  
September 1, 2023

**PURALIMA FRANCHISING LLC  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 500	\$ 500
Due from Parent	328,000	199,500
Total Assets	328,500	200,000
<b>OTHER ASSETS</b>		
Deferred Franchise Costs	50,000	-
Total Assets	\$ 378,500	\$ 200,000
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>LONG TERM LIABILITIES</b>		
Deferred Revenue, Net of Current Amount	\$ 178,500	\$ -
Total Liabilities	178,500	-
<b>MEMBER'S EQUITY</b>		
Total Liabilities and Member's Equity	\$ 378,500	\$ 200,000

See accompanying Notes to Financial Statements.

**PURALIMA FRANCHISING LLC  
STATEMENTS OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2022 AND PERIOD FROM  
MAY 20, 2021 (INCEPTION DATE) TO DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Total Revenues	\$ -	\$ -
<b>NET INCOME</b>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying Notes to Financial Statements.*

**PURALIMA FRANCHISING LLC  
STATEMENTS OF MEMBER'S EQUITY  
YEAR ENDED DECEMBER 31, 2022 AND PERIOD FROM  
MAY 20, 2021 (INCEPTION DATE) TO DECEMBER 31, 2021**

	<u>Member's Equity</u>
<b>BALANCE - MAY 20, 2021</b>	\$ -
Contributions	<u>200,000</u>
<b>BALANCE - DECEMBER 31, 2021</b>	200,000
Net Income	<u>-</u>
<b>BALANCE - DECEMBER 31, 2022</b>	<u>\$ 200,000</u>

*See accompanying Notes to Financial Statements.*

**PURALIMA FRANCHISING LLC  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022 AND PERIOD FROM  
MAY 20, 2021 (INCEPTION DATE) TO DECEMBER 31, 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ -	\$ -
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Changes in Operating Assets and Liabilities:		
Due from Related parties	(128,500)	(199,500)
Deferred Costs	(50,000)	-
Deferred Revenue	178,500	-
Net Cash Used by Operating Activities	-	(199,500)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member Contributions	-	200,000
Net Cash Provided by Financing Activities	-	200,000
<b>NET CHANGE IN CASH</b>	-	500
Cash - Beginning of Year	500	-
<b>CASH - END OF YEAR</b>	\$ 500	\$ 500

See accompanying Notes to Financial Statements.



**PURALIMA FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

PURALIMA Franchising LLC (the Company), a wholly owned subsidiary of PURALIMA LLC (the Parent), operates a franchising business under the concept name PURALIMA®. The Company offers franchises in a majority of the states. The Company was organized in the state of Minnesota. The Company's year-end is December 31.

**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).

**Accounting Estimates**

Management uses estimates and assumptions in preparing the financial statement in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Deferred Costs**

Deferred costs represents costs that have been incurred, but which will not be recognized until future periods.

**Deferred Revenue**

Deferred revenue represents franchise fees received that have not been fully earned and will be recognized in future periods.

**Income Taxes**

The Company elected under the Internal Revenue Code and comparable state laws to become a limited liability company in the form of a single-member limited liability company subsidiary and files combined federal and Minnesota income tax returns with its Parent. Accordingly, income is not taxable at the Company level but passes through to the Parent. Consequently, the Company may declare distributions periodically to the Parent to enable it to pay its income tax liabilities. Primarily due to the limited liability company subsidiary tax status, the Company does not have any significant tax uncertainties that would require recognition or disclosure. As the Company was incorporated in 2021, all income tax returns are open for examinations upon filing.

**PURALIMA FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also added Subtopic 340-40, Other Assets and Deferred Costs- Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. The Company adopted the requirements of the new guidance upon inception.

The primary result of Topic 606 on the Company's revenue recognition policies is the accounting for initial franchising fees. Upon the initial sale of a franchise, the Company is obligated to provide franchisees access to certain proprietary programs, written materials, trademarks, tools, and support associated with their franchise business. Under Topic 606, initial franchise fees will be recognized as the Company satisfies the performance obligation over the franchise term on a straight-line basis, which is generally ten years from the date a store opens. The unrecognized portion of initial franchising fees will be recorded as deferred revenue.

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 adopted the requirements of the new guidance upon inception, The Company also made an accounting policy election to recognize certain pre-opening services as a single performance obligation.

The Company generates revenue primarily through royalties, franchise fees, and marketing fees.

**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 from the date a store opens. Initial franchise fees are recognized at the date the franchise opened upon incurring pre-opening service costs equal to, or in excess of, the initial franchise fees. Any remaining revenues will be recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include: training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company 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.

**PURALIMA FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Franchise Fees (Continued)**

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.

**NOTE 2 FRANCHISE SALES AND AGREEMENTS**

At December 31, 2022 and 2021, there were three and zero, respectively, franchise agreements signed but not in operations.

**NOTE 3 CONTRACT ASSETS AND LIABILITIES**

The Company's contract assets and contract liabilities are as follows:

	December	
	2022	2021
Contract Liabilities:		
Deferred Franchise Fees	\$ 178,500	\$ -

**NOTE 4 TRANSACTIONS WITH RELATED PARTIES**

The Company has an agreement with related party through common ownership, Steele Brands LLC, to provide a commission in exchange for obtaining franchisees. The deferred commission at December 31, 2022 and 2021 is \$50,000 and \$-0-, respectively. At December 31, 2022 and 2021, the Company has receivables due from Parent of \$328,000 and \$199,500, respectively.

**NOTE 5 MEMBER'S EQUITY**

The Parent contributed \$200,000 to the Company in exchange for the issuance of 100% of the Company's membership interest. The membership interest in the Company owned by the Parent is the only class of membership interest issued and outstanding as of December 31, 2022 and 2021.

**PURALIMA FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 6 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 1, 2023, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

Subsequent to year end, two initial franchise fees were refunded per agreed upon terms. Additionally, the deferred commission tied to these franchise fees was refunded.



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**PURALIMA Franchising LLC**  
**Balance Sheet**  
As of March 31, 2024

	<u>Mar 31, 24</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 500
Accounts Receivable	12,946
<b>Total Current Assets</b>	<u>13,446</u>
<b>Other Assets</b>	
Due from Parent, Net of Current Amount	533,435
Prepaid Expenses	3,994
<b>TOTAL ASSETS</b>	<u>\$ 550,875</u>
<b>LIABILITIES &amp; MEMBER'S EQUITY</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ -
<b>Total Current Liabilities</b>	<u>-</u>
<b>Long Term Liabilities</b>	
Deferred Revenue, Net of Current Amount	329,400
<b>Total Liabilities</b>	<u>329,400</u>
<b>Member's Equity</b>	221,475
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>\$ 550,875</u>

- check

**EXHIBIT H  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**State-Specific Addenda to the Disclosure Document**

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

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

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

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, California Corporations Code §§ 31000 - 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 - 20043, the franchise disclosure document of PURALIMA Cantina in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. California Corporations Code § 31125 requires us to give you a disclosure document, in a form containing the information that the Commissioner of Financial Protection and Innovation of the California Department of Financial Protection and Innovation may by rule or order require, prior to a solicitation or a proposed material modification of an existing franchise.

2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

3. Item 3, "Litigation," shall be amended by the addition of the following language:

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

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

The regulations of the California Department of Financial Protection and Innovation require that the following information concerning provisions of the franchise agreement and area development agreement be disclosed to you:

The California Franchise Relations Act provides rights to you concerning termination, transfer or non-renewal of a franchise. If the franchise agreement or area development agreement contains a provision that is inconsistent with California law, California law will control.

The franchise agreement and area development agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law, 11 U.S.C.A. §§ 101, *et seq.*

The franchise agreement and area development agreement contain a covenant not to compete which extends beyond the termination of the franchise agreement or area development agreement. This provision may not be enforceable under California law.

The franchise agreement and area development agreement require the application of the laws of Minnesota. This provision may be unenforceable under California law.

The franchise agreement and area development agreement contain a waiver of punitive damages and a jury trial. These provisions may not be enforceable under California law.



The franchise agreement and area development agreement require binding mediation or arbitration. The mediation or arbitration will occur in the city closest to our principal executive office. These provisions may not be enforceable under California law. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws to the provisions of the franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires you to sign a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code § 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. California Corporations Code § 31512 voids a waiver of your rights under the California Franchise Investment Law. California Business and Professions Code § 20010 voids a waiver of your rights under the California Franchise Relations Act.

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

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

7. OUR WEBSITE AT [www.puralima.com](http://www.puralima.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

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

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF HAWAII**

The following is added to the Cover Page:

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

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

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

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in the FDD on the page entitled, "State Effective Dates".
2. States which have refused, by order or otherwise, to register these Franchises are:

None

3. States which have revoked or suspended the right to offer the Franchises are:

None

4. States in which the proposed registration of these Franchises has been withdrawn are:

None

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF ILLINOIS**

Item 17 of this Disclosure Document is modified to include the following paragraph:

Sec. 705/4 of the Illinois Franchise Disclosure Act of 1987 provides that “any provision in a franchise/license agreement that designates jurisdiction or venue in a forum outside of Illinois is void.”

Although the Franchise Agreement and Area Development Agreement provide that they will be governed by and construed in accordance with the laws of the State of Minnesota, we agree that the laws of the State of Illinois will govern the construction and interpretation of the Franchise Agreement and Area Development Agreement. The provisions of the Franchise Agreement and Area Development Agreement concerning governing law, jurisdiction, and venue shall not constitute a waiver of any right conferred on you by Illinois law.

Although the Franchise Agreement and Area Development Agreement require litigation to be instituted in the state courts located in the federal or state court for city closet where our principal executive office is located, except as you may be restricted by the arbitration provisions of the Franchise Agreement and Area Development Agreement, all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois.

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

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF INDIANA**

The Franchise Agreement and Area Development Agreement contain a covenant not to compete that extends beyond the termination of the Franchise Agreement or Area Development Agreement. These provisions may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement or Area Development Agreement and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement, Area Development Agreement, and all related documents to be governed by Indiana law, then nothing in the Franchise Agreement, Area Development Agreement, or related documents referring to Minnesota law will abrogate or reduce any of your rights as provided for under Indiana law.

Item 8, “Restrictions on Sources of Products and Services,” is amended by the addition of the following language:

Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although the Franchise Agreement and Area Development Agreement require arbitration to be held in the office of the American Arbitration Association closest to the location of our principal executive office, arbitration held under the Franchise Agreement or Area Development Agreement must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

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

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Indiana Franchise Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Maryland Code of Business Regulation §§ 14-201 - 14-233, the Franchise Disclosure Document for PURALIMA Cantina in connection with the offer and sale of franchises for use in the State of Maryland shall be amended to include the following:

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

The general release language required as a condition of renewal, sale and/or assignment or transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Although the franchise agreement and area development agreement require litigation to be held in the city where our principal executive office is located, you may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, subject to the mediation and arbitration provisions of the franchise agreement and area development agreement.

The franchise agreement and area development agreement provide for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11. U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

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

To the extent that any provisions of the franchise agreement or area development agreement require you to assent to any release, estoppel or waiver of liability as a condition to your purchasing a franchise, such provisions are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17(v) and (w) are modified by the insertion of the following:

“Any Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

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

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

Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

1. Item 6 of the Disclosure Document is amended to state that the amount you are required to reimburse us for any “insufficient funds” charges and related expenses that we incur for any checks that we receive from you or your failure to maintain sufficient funds in your automatic debit account is capped at \$30 in accordance with state law.

2. Item 13 of the Disclosure Document is amended by the addition of the following paragraphs:

“We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any losses, costs or expenses arising out of any claim, suit or demand regarding the proper use of the name.

As required by the Minnesota Franchise Act, Minn. Stat. § 80C.12(g), we will reimburse you for any costs that you incur in the defense of your right to use the Marks, so long as you were using the Marks in the manner that we authorized, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

3. Item 17 of the Disclosure Document is amended by the addition of the following paragraphs:

“With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that (1) a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Franchise Agreement and (2) consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rules Part 2860.4400D, any general release of claims that you or a transferor may have against us or our owners, officers, managers, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Act and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rules Part 2860.4400J prohibit us from requiring litigation to be conducted outside the state of Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes and/or Chapter 80C, or (2) your rights to any procedure, forum or remedies provided for by the laws of the state of Minnesota. Minn. Rules Part 2860.4400J states that you cannot consent to us obtaining injunctive relief. However, we may seek injunctive relief and a court will determine if a bond is required.

Minn. Stat. § 80C.17, Subd. 5, provides that no action may be commenced thereunder more than 3 years after the cause of action accrues.”



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

5. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Franchise Disclosure Document.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national

securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

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

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

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

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

8. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the State of New York and General Business Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

1. The following is added to the end of the “Summary” sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the “Summary” section of Item 17(r), entitled Non-competition covenants after the franchise is terminated or expires:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The “Summary” section of Item 17(u), entitled Dispute resolution by arbitration or mediation is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), mediation will be at a site to which we and you mutually agree.

4. The “Summary” section of Item 17(v), entitled Choice of forum, is deleted and replaced with the following:

You must sue us in Minnesota, except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The “Summary” section of Item 17(w), entitled Choice of law, is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Minnesota will apply.

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

7. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

Even though our Franchise Agreement and Area Development Agreement say the laws of Minnesota apply, § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

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

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF SOUTH DAKOTA**

In recognition of the requirements of the South Dakota Franchise Act, South Dakota Codified Laws Chapter 37-5B, the Franchise Disclosure Document for PURALIMA Cantina in connection with the offer and sale of franchises for use in the State of South Dakota shall be amended to include the following:

1. Except as may be described in Item 3 of this Franchise Disclosure Document, neither we nor any person identified in Item 2 of this Disclosure Document has any material arbitration proceeding, pending, or has during the 10-year period immediately preceding the date of this Franchise Disclosure Document been a party to concluded material arbitration proceedings.
2. Although the franchise agreement and area development agreement require all mediation or arbitration proceedings to be at the office of the American Arbitration Association in the city closest to our principal executive office, the site of any mediation or arbitration started pursuant to the franchise agreement or area development agreement will be at a site mutually agreed upon by you and us.
3. We may not terminate the franchise agreement or area development agreement for a breach, for failure to meet performance standards and/or for failure to make royalty or advertising payments unless you receive 30 days prior written notice from us, and you are provided with an opportunity to cure the defaults.
4. Covenants not to compete upon termination or expiration of the franchise agreement or area development agreement are generally unenforceable in the State of South Dakota.
5. The laws of the State of South Dakota will govern matters pertaining to franchise registration, employment, covenants not to compete, and other matters of local concern; but as to contractual and all other matters, the franchise agreement and area development agreement will be subject to the applications, construction, enforcement and interpretation under the governing law of Minnesota.
6. Any provisions in the franchise agreement and area development agreement restricting jurisdiction or venue to a forum outside of the State of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.
7. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.
8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.
9. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the South Dakota Franchise Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE COMMONWEALTH OF VIRGINIA**

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

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement or area development agreement does not constitute “reasonable cause;” as that term is defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. The “Summary” section of Item 17(t) shall be amended to read:

Only the terms of the Franchise Agreement, Area Development Agreement, and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document, Franchise Agreement, and Area Development Agreement may not be enforceable.

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

4. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE COMMONWEALTH OF WASHINGTON**

1. The following paragraphs are added at the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement and Area Development Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement and Area Development Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement or Area Development Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement, Area Development Agreement, or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement, Area Development Agreement, or elsewhere are void and unenforceable in Washington.

2. Item 17(q), entitled Non-competition covenants during the term of the franchise, of this Disclosure Document is amended to provide that this provision is subject to state law.



3. Item 17(r), entitled Non-competition covenants after the franchise is terminated or expires, of this Disclosure Document is amended to provide that this provision is subject to state law.

4. Item 17(u), entitled Dispute resolution by arbitration or mediation, of this Disclosure Document is amended to provide that this provision is subject to state law.

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

6. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WISCONSIN**

1. Item 17 of the Disclosure Document is amended by the addition of the following paragraph:

“For franchisees subject to the Wisconsin Fair Dealership Law, Ch. 135, Wisconsin Stats. 1981-82, provisions in the Fair Dealership Law supersede any inconsistent provisions of the Franchise Agreement, Area Development Agreement, or a related contract.”

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

3. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Wisconsin Franchise Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**EXHIBIT I  
TO THE PURALIMA FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES AND ITEM 23 RECEIPTS – See following pages**

## 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
Minnesota	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	Pending

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

**Receipt – Your Copy**

This disclosure document summarizes certain provisions of the Franchise Agreement, Area Development Agreement, and other information in plain English. Read this disclosure document and all agreements carefully.

If PURALIMA Franchising LLC (“we” or “us”) offers you a franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. If applicable, Iowa law and New York law require us to provide you with this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a franchise or other agreement with, or pay any consideration to, us or an affiliate in connection with the proposed sale. If applicable, Michigan law requires that we provide this disclosure document to you at least 10 business days before the execution of any binding franchise or other agreement with, or the payment of any consideration to, us or an affiliate, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Issuance date: May 13, 2024

The franchise sellers for this offering of a franchise are Steele Smiley at PURALIMA Franchising LLC, 746 Mill Street E, Wayzata, Minnesota 55391, and \_\_\_\_\_ (blank completed only if applicable).

We authorize the respective parties identified on Exhibit A to receive service of process for us in the particular state.

I received a disclosure document from PURALIMA Franchising LLC dated May 13, 2024, that included the following Exhibits:

- A. List of State Agencies / Agents for Service of Process
- B. Franchise Agreement (including Exhibits and state-specific addenda)
- C. Market Accelerator Program Addendum
- D. Example Letter of Intent
- E. Operations Manual Table of Contents
- F. List of Franchisees
- G. Audited Financial Statements
- H. State-Specific Addenda to the Disclosure Document
- I. State Effective Dates and Receipts

FRANCHISEE (For an Entity)

FRANCHISEE (For an Individual)

Date Received: \_\_\_\_\_

Date Received: \_\_\_\_\_

Corp. Name: \_\_\_\_\_

Signed: \_\_\_\_\_

State of Incorporation: \_\_\_\_\_

Print Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

Print Name: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: (\_\_\_\_) \_\_\_\_\_

Zip: \_\_\_\_\_

*After signing and dating this receipt, keep it for your own records.*

**Receipt – To be Signed and Returned to PURALIMA Franchising LLC**

This disclosure document summarizes certain provisions of the Franchise Agreement, Area Development Agreement, and other information in plain English. Read this disclosure document and all agreements carefully.

If PURALIMA Franchising LLC (“we” or “us”) offers you a franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. If applicable, Iowa law and New York law require us to provide you with this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a franchise or other agreement with, or pay any consideration to, us or an affiliate in connection with the proposed sale. If applicable, Michigan law requires that we provide this disclosure document to you at least 10 business days before the execution of any binding franchise or other agreement with, or the payment of any consideration to, us or an affiliate, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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- G. Audited Financial Statements
- H. State-Specific Addenda to the Disclosure Document
- I. State Effective Dates and Receipts

FRANCHISEE (For an Entity)

FRANCHISEE (For an Individual)

Date Received: \_\_\_\_\_

Date Received: \_\_\_\_\_

Corp. Name: \_\_\_\_\_

Signed: \_\_\_\_\_

State of Incorporation: \_\_\_\_\_

Print Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

Print Name: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: ( ) \_\_\_\_\_ Zip: \_\_\_\_\_

*After signing and dating this Receipt, return it to us (to the attention of Steele Smiley) by sending the original by overnight carrier or 1st class mail to our address above, or by emailing a scanned copy to franchise@puralima.com.*