

Goodcents®

FRANCHISE DISCLOSURE DOCUMENT
AREA REPRESENTATIVE

www.goodcentssubs.com

**FRANCHISE DISCLOSURE DOCUMENT
MR. GOODCENTS FRANCHISE SYSTEMS, INC.**

**A Kansas Corporation
8997 Commerce Drive
De Soto, Kansas 66018
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www.goodcentssubs.com**

Mr. GOODCENTS Franchise Systems, Inc. is offering GOODCENTS Area Representative franchises which provide qualified individuals with the opportunity to recruit, develop, and service Single Unit or Multi-Unit GOODCENTS franchises located in their designated areas of representation on our behalf.

The total investment necessary to become an Area Representative is from \$119,000 to \$182,500. This includes \$100,000 that must be paid to Goodcents.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact the Compliance Officer, at 8997 Commerce Drive, De Soto, Kansas 66018, 913-583-8400.

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

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

FTC issuance date of this disclosure document is: March 11, 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:

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Kansas. 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 Kansas than in your own state.

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

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

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 your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to:
 - i. the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 - ii. the fact that the proposed transferee is a competitor of us or our sub franchisor.

- iii. the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- iv. your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

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

To simplify the language in this Franchise Disclosure Document, “we”, “us”, “our” or “GOODCENTS” means MR. GOODCENTS FRANCHISE SYSTEMS, INC., the Franchisor. “You” means the person that buys the franchise. If you are a corporation or limited liability company, certain provisions of this Franchise Disclosure Document also apply to your owners and will be noted.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. is a Kansas corporation and was incorporated on March 20, 1991. Our principal business address is 8997 Commerce Drive, De Soto, Kansas 66018.

We do not have a parent company.

Our affiliated company, Custom Foods, Inc., is a corporation formed under the laws of Kansas, whose principal business address is 9101 Commerce Drive, De Soto, Kansas 66018. Custom Foods, Inc. is the approved manufacturer of frozen bread dough and cookies which are sold to the approved suppliers.

Our affiliated company, Profit Plus Business Solutions, LLC, is a limited liability company formed under the laws of Kansas, whose principal business address is 8997 Commerce Drive, De Soto, Kansas 66018. One of our officers owned an interest in Profit Plus Business Solutions, LLC. For the year ending December 31, 2023, Profit Plus Business Solutions, LLC’s revenue from providing accounting services to franchisees was \$0.00.

Our affiliated company, InfoKING Systems, LLC, is a Kansas limited liability company formed under the laws of Kansas, whose principal place of business is 8997 Commerce Drive, De Soto, KS 66018. InfoKING Systems, LLC provides proprietary software and computer system hardware to franchisees on a subscription basis.

Neither GOODCENTS, nor its predecessors or affiliates, sell franchises of any other types of business.

Our agents for service of process in certain states are listed in Exhibit F and GOODCENTS registered agent for service of process in the state of Kansas is Joseph J. Bisogno, 8997 Commerce Drive, De Soto, Kansas 66018.

We do not conduct a business of the type being offered.

GOODCENTS first operated a Restaurant of the type that you will be servicing as an Area Representative, in March 1989. In 1991, we began offering franchises to establish and operate GOODCENTS businesses. The restaurants feature sandwiches and conveniently packaged balanced meals, appealing to cost-conscious and health-oriented guests.

In 2008, we began offering Multi-Unit GOODCENTS franchises, in addition to our single unit franchisees to establish and operate GOODCENTS businesses.

We offer franchises for Area Representative opportunities granting you the right, within a Designated Area, to (i) solicit, recruit, screen, and interview prospective Franchise operations for us (the “Sales Services”); and (ii) provide support and assistance to the Franchise operations in a Designated Area (the “Support Services”). Using the Area Representative Franchise Agreement, attached as Exhibit B, you and we will mutually agree on the number of Franchise operations that must be established and operated in your Representative Area during a specific time period. While you will offer franchises to prospective Franchise operations, both the final decision of whether to grant a Franchise operation, and the actual grant of a Franchise operation, will be made solely by us. As compensation for your services under the Area Representative Franchise Agreement, unless we specify otherwise, you will receive 50% of the initial ‘net’ franchise fee paid by the Franchisee within your Representative Area; and you will receive a fee equal to 33.33% of the continuing royalty fees paid by the Franchise operations in your Representative Area for restaurants that you establish in your development area.

The market for sandwiches, and related food products is highly competitive, as is the market for obtaining locations for Restaurants. However, we believe we have a unique product and offer a unique opportunity in the Restaurant industry. We plan to continue expansion into markets that can support the Restaurants to improve name recognition and the reputation of the System through franchised Restaurants. Your competition will include other casual dining segments of the restaurant industry and other sandwich restaurants appealing to families, young adults and seniors.

A GOODCENTS business appeals to the general public as a family restaurant and is attractive to young people and college age students and adults. A GOODCENTS business is particularly appealing to health-conscious diners.

Industry Regulations, Licenses, Permits

You must comply with all federal and state laws that regulate the offer and sale of franchises and comply with all franchise disclosure requirements, franchise broker registration and/or sales agent disclosure requirements and any other laws or regulations governing the sale of franchises and the relationship between franchisors and franchisees. There are no other regulations specific to the operation of an Area Representative Business; however, you must comply with all local, state, and federal health and sanitation laws. You should consult with your own professional advisors, such as an attorney and accountant, regarding applicable laws and regulations. Neither you nor any of your employees or representatives may solicit prospective franchisees of GOODCENTS until we have provided you with our current disclosure document related to the offer and sale of GOODCENTS franchises in the applicable jurisdiction and have complied with state registration requirements, if necessary.

Franchisees in your Representative Area must comply with all federal, state, and local labor regulations, including minimum age and wage laws, Americans with Disabilities Act and USA Patriot Act, and other laws and regulations apply to businesses generally.

Certain aspects of the restaurant business are heavily regulated by federal, state and local laws, rules and ordinances. The U.S. Food and Drug Administration, as well as state and local departments of health and other agencies, have laws and regulations concerning the preparation of food and establishing sanitation standards for restaurants. There may be restrictions on smoking in restaurants established by local laws. Certain provisions of the Clean Air Act may impose limits on emissions resulting from commercial food preparation. Currently, various state and municipal laws require that nutritional information be included on the menu for each item. The Patient Protection and Affordable Care Act of 2010 includes a federal requirement for menu labeling which will be effective after the FDA's final regulations are issued. You will need to understand and comply with these laws in operating the Restaurant. There may be other laws applicable to your business, including local zoning and planning laws. You must carefully review these and other laws that may affect your business.

ITEM 2: BUSINESS EXPERIENCE

Chairman of the Board and CEO: Joseph J. Bisogno

Mr. Bisogno has been Chairman of the Board for GOODCENTS since June 2010. From March 1989 to present, Mr. Bisogno also serves as CEO for GOODCENTS.

Vice President of Franchise Development: Jami Bond

Mrs. Bond has been the Vice President of Franchise Development for GOODCENTS since September 2020. Mrs. Bond was the Director of Franchise Development from November 2019 to September 2020 and the Director of Field Marketing from January 2016 through November 2019. Prior to GOODCENTS, Mrs. Bond supported field marketing efforts for Pizza Hut, Applebee's, and Slim Chickens.

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Chief Financial Officer: John Bickimer, CPA

Mr. Bickimer has been Chief Financial Officer for GOODCENTS since January 2023. Prior to GOODCENTS, Mr. Bickimer was Chief Financial Officer at Bickimer Construction, Inc. in Lenexa, KS from March 2021 to January 2023 and Senior Project Finance Manager for IQVIA in Overland Park, KS from January 2018 to February 2021.

Director of Compliance: Melinda Kinders

Ms. Kinders has been the Director of Compliance for GOODCENTS since November 2022. Prior, Ms. Kinders was the Franchise Development Coordinator for GOODCENTS from April 2022 to November 2022. Prior to GOODCENTS volunteered for a national youth organization and served as Board of Trustees Chair.

Director of Field Operations: Keith Lake

Mr. Lake has been the Director of Field Operations for GOODCENTS since December 2023. Prior, Mr. Lake was Sr. Director of Operations and Training for GOODCENTS from June 2021 to December 2023. Prior to GOODCENTS, Mr. Lake was the Assistant Director of Dining at the University of Kansas from 2007-2021. Additionally, Mr. Lake was also a multi-unit Area Manager for a GOODCENTS franchisee from 1997 to 2007.

Director of Restaurant Development: Tim Laird

Mr. Laird has been the Director of Restaurant Development for GOODCENTS since December 2023. Prior, Mr. Laird was Franchisee Support Manager for GOODCENTS from June 2023 to December 2023 and Field Consultant from October 2022 to June 2023. Prior to GOODCENTS, Mr. Laird was the Restaurant Leader for Raising Canes in Lawrence, KS from August 2021 to August 2022. Additionally, Mr. Laird was Catering Manager, General Manager, and District Manager for Jason's Deli in Texas, Kansas and Missouri from February 2002 to February 2021.

Director of Operational Support - IT: Rick Frederick

Mr. Frederick has been the Director of Operational Support-IT for GOODCENTS since December 2023. Prior, Mr. Frederick was the Director of Operational Support for GOODCENTS from December 2021 to December 2023. Prior, Mr. Frederick was the Director of Operations for GOODCENTS since September 2018. Mr. Frederick has been with the GOODCENTS organization since 1997, serving in roles ranging from a single store General Manager, Director of Training, Systems Information Specialist, and a multi-unit Director of Operations. Prior to GOODCENTS, Mr. Frederick worked for Gilbert Robinson and Creative Restaurant Management.

Director of Training: Todd Anderson

Mr. Anderson has been the Director of Training for GOODCENTS since November 2022. Prior, Mr. Anderson was a Training Consultant for GOODCENTS from November 2018 to November 2022. Prior to working with franchisees at the GOODCENTS Support Center, Mr. Anderson spent nearly 20 years working for a GOODCENTS franchisee.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

If you are an Area Representative, you must pay GOODCENTS an amount of \$10,000 per unit (a minimum amount of \$100,000 required) for a minimum of 10 units that you agree to develop at the time of signing your Area Representative Franchise Agreement. The amount of your initial Area Representative fee will depend upon the demographics of your Representative Area, which will have a direct impact on establishing the number of GOODCENTS FRANCHISE operations to be established during your Representative development period.

The initial Area Representative fee must be paid to us as a lump sum in the form of a cashier's check, ACH, or wire transfer at the time the Area Representative Franchise Agreement is signed. All initial Area Representative fees are fully earned by us when paid by you and are not refundable under any circumstances.

ITEM 6: OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks
Marketing and Advertising Fee ²	\$1,000 per month	15 th day of each month	See Note 2.
Renewal	50% of the then-current Area Representative Fee	365 days before renewal	Payable if you wish to renew your area representative franchise agreement for an additional 10-year period.
Interest	Interest of 18% per annum or highest rate of interest allowed by law on amounts due	Interest due on demand	Begins to accrue the day after payments are due.
Inspection and Audit Fee	Costs of the Audit	Immediately upon the completion of the audit	Payable if audit shows understatement of Gross Revenue for any month or if you fail to provide all required information to conduct the audit. Payable if Franchisee has not provided financial statements for a period of 3 months within a 12-month period.
Costs and Attorney Fees	Will vary under the circumstances	As incurred	Payable only if you do not comply with the Area Representative Franchise Agreement terms.

Notes:

- All fees are uniformly imposed on all Area Representatives and are collected by and payable to us. All fees are non-refundable under any circumstance. You may not withhold all or part of the fees due to us or any buying group on the grounds of nonperformance.
- Marketing and Advertising Fee. You must pay us \$1,000 per month for advertising and marketing costs associated with the solicitation of prospective Franchisees (the "Marketing Fee"). We reserve the right to increase the Marketing Fee by 5% from the previous year's Marketing Fee one time each calendar year upon notice to you. The Marketing Fee must be paid beginning on the 15th day after the end of the first full calendar month during which you complete Initial Training and on the 15th day of each month after that date during the term of the Area Representative Franchise Agreement. This fee is payable only while franchisees are being solicited.

* Except as otherwise noted, all fees are uniformly imposed on all Area Representatives and collected by, and payable to, us (or our designated affiliates). Any fees paid to us are non-refundable unless otherwise noted. Your costs for certain items listed above may differ depending on the suppliers used, local costs, and other factors. We will auto-debit your bank account (known as "ACH") for all fees you are required to pay to us under the Area Representative Franchise Agreement. Your ACH will remain in effect throughout the term of the Area Representative Franchise Agreement. You must ensure that funds are available in your bank account to cover our withdrawals. Some banks charge fees for us to ACH your account; you must pay those fees. We may require you to pay any amounts due under the Area Representative Franchise

Agreement or otherwise by means other than ACH (e.g., by check or credit card) whenever we deem appropriate, and you must comply with our payment instructions. If you fail to comply with our payment instructions, we reserve the right to exclude you from participating in certain programs, including royalty share. In addition, your failure to comply with our payment instructions will be considered a default under the Area Representative Franchise Agreement.

ITEM 7: ESTIMATED INITIAL INVESTMENT

Type of Expenditure ¹	Amount	Method of payment	When due	To whom payment is to be made
Initial Area Representative Fee ²	\$10,000 for each restaurant in the Area Representative Geographic Area (10 Unit minimum) \$100,000	Lump Sum	Upon Execution of the Area Representative Franchise Agreement	GOODCENTS
Training	Up to \$500 per person, per day \$500 – \$10,000	Upon Demand	As Incurred	GOODCENTS
Travel	Up to \$500/day (for hotels and meals, etc.) \$500 – \$5,000	Upon Demand	As Incurred	Suppliers
Franchise Broker Fees, Registration Fees, Business Licenses and Permits	\$1,000 – \$2,500	As Agreed	Payable before opening for business	Licensing Authorities/Suppliers
Office furniture, computers, and equipment	\$1,500 – \$5,000	As Agreed	When purchased or upon agreed terms	Suppliers
Development Area Demographic Analysis Fees	\$10,000 – \$25,000	As Agreed	As Agreed	Suppliers
Legal Fees and Insurance	\$5,000 – \$10,000	As Agreed	As Agreed	Suppliers and/or GOODCENTS
Additional Funds – 3 months ³	\$500 – \$25,000	As Agreed	As Agreed	Suppliers
Total ^{4, 5}	\$119,000 to \$182,500			

Notes:

- Each payment is non-refundable, unless otherwise noted. GOODCENTS does not finance any part of the initial investment.
- The Area Representative fee is payable to GOODCENTS and is more fully described in Item 5. You agree to develop a minimum of 10 Restaurants in an Area Representative Franchise Agreement within a specified period of time.
- Sometimes referred to as working capital, these estimates are your initial expenses for three months from the date you open for business. These expenses include payroll costs. These figures are estimates, and GOODCENTS cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors including how closely you follow GOODCENTS methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for GOODCENTS' products; the prevailing wage rate; competition; and the sales level reached during the initial period. You must also pay royalty and other fees as described in Item 6 of this FDD.
- Initial costs for Area Representatives will vary depending on the structure of their organization, the location and style of offices set up, the number of employees and the area that will be established. Additional working capital will be required if sales are low or operating costs are high.

5. Unit Franchise Investment Costs are NOT included. Upon execution of Area Representative Franchise Agreement, Area Representative is required to sign minimum of five (5) individual Unit Franchise Agreements. When you purchase a Unit Franchise, you will have to sign our then-current unit franchise agreement being offered to new Unit Franchisees. The estimated initial investment for new Unit Franchises is contained in our Unit Franchise Disclosure Document, which you can request from us.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain the uniformity and quality of products and services offered by your Restaurant, you must purchase or lease goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or comparable items related to establishing or operating the Restaurant from us, our affiliates or suppliers approved by us that meet our standards and specifications. You must operate your Restaurant in strict conformity with our standards and specifications.

We or our affiliated companies may be designated, in our sole discretion, as an approved supplier or the only approved supplier of food and related products and services.

At the present time, we are not an approved supplier of food and related products.

Our affiliate, Custom Foods, Inc. is the only approved manufacturer of frozen bread dough and cookies for the System.

Our affiliate, InfoKING Systems, LLC, is the only approved supplier of the Computer System.

Our affiliate, Profit Plus Business Solutions, LLC, was an approved supplier of accounting services.

One of our officers owns an interest in Custom Foods, Inc., InfoKing Systems, LLC, and Profit Plus Business Solutions, LLC.

If you want to buy or lease any item or service that we have not yet evaluated or approved or want to buy or lease from the supplier that we have not yet approved or designated, you must submit to us a written request to approve the proposed supplier, with evidence of consistent conformity with our specifications and standards as we may reasonably require.

Supplier approval might depend on product quality, delivery frequency, and reliability or on service standards or financial capability, or customer relation or concentration of purchases with limited suppliers to obtain better prices and service, and/or a supplier's willingness to pay us or our affiliate for the right to do business with our system.

We will have the right to require that our representatives be permitted to inspect the proposed supplier's facilities and that the product samples be delivered to us or to our designee for testing or to an independent testing facility we designate. We may charge you or the supplier a reasonable fee for the valuation and decide within a reasonable time (generally no more than 30 days) whether or not we approve or disapprove the item or service. We periodically will establish procedures for your request and may limit the number of approved items, services or suppliers, as we determine in our sole discretion.

We may inspect a proposed supplier's facilities during or after the approval process to make sure that the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. We have no obligation to approve any request for a new supplier, or for a new product or service.

In addition to the designated and approved suppliers described above, we have the right to identify additional designated and approved suppliers in the future in written communications to you or in the Operations Manual, as we determine in our sole and absolute discretion.

We issue standards and specifications and any modifications to the System to you in the Operations Manual and otherwise, including, without limitation, in writing and by e-mail.

We or our affiliates may derive revenue or other material consideration from required purchases or leases by you.

The precise basis of the income to us from approved vendors and suppliers would generally be 1% to 20% of the purchase price of such food products and supplies purchased by you from approved suppliers. All revenue in the form of rebates and commissions we receive from approved suppliers resulting from your purchases may, in our discretion, be paid into the National Marketing and Promotional Fund or to regional and national advertising cooperatives or be utilized by us.

We nor our affiliates, arrange any rebates to be received by any GOODCENTS Area Representative on required purchases made by unit franchisees.

In the fiscal year ending December 31, 2023, our revenue from approved suppliers based upon the purchase of products and services by Franchisees from approved suppliers was \$772,431 which is 20.2% of our total franchise operations revenue of \$3,823,596.

For the fiscal year ending December 31, 2023, Custom Foods, Inc.'s revenue from the sale of frozen dough to the approved suppliers of bread dough and cookie dough was \$2,143,605.

For the fiscal year ending December 31, 2023, InfoKING's revenue from providing proprietary software and hardware to franchisees was \$457,281.

Our affiliated company, Profit Plus Business Solutions, LLC was an approved supplier of accounting services. For the year ending December 31, 2023, Profit Plus Business Solutions, LLC's revenue from providing accounting services to franchisees was \$0.

The cost of your purchases in compliance with our specifications and standards will represent approximately 70% to 75% of your total initial purchases relative to the establishment of your Restaurant, and approximately 90% to 95% of your total purchases required for the operation of your Restaurant, based on the percentage of cost experienced by GOODCENTS in comparable Restaurants.

There are currently no purchasing or distribution cooperatives that you must join or in which you may participate.

We may negotiate purchase arrangements, including price and terms, with designated and approved suppliers of food products and beverages purchased by franchisees.

We do not provide any material benefits to you based on your use of designated or approved suppliers or for the purchase of particular products and services.

Advertising

You will be required to pay us \$1,000 per month for advertising and marketing associated with the solicitation of potential franchisees. We reserve the right to increase this contribution by 5% from the previous year's contribution one time each calendar year upon notice to you. Franchisee marketing funds, the minimum marketing spend requirements and advertising co-ops are all addressed in a separate disclosure document. All marketing and promotion in connection with the offer and sale of franchises must conform to our standards and specifications. We may provide you with franchise sales advertising and promotional materials, the cost of which may be passed on to you.

You are required to conduct advertising, at your expense, to solicit prospective Franchisees in your Representative Area. You shall submit to us or our designated affiliate an accounting of the amounts spent on advertising and the details of such upon our request. We reserve the right to require you to participate, at your expense, in trade shows and other promotional events. This fee is payable only while franchisees are being solicited.

You must send us for prior approval samples of all advertising and promotional materials that you want to use; which we have not prepared or previously approved. We will typically approve or disapprove such materials within 10 days. Some states require the filing of franchise sales advertising materials with the appropriate state agency prior to dissemination. You must timely submit these for review to comply with these filing requirements at your own expense unless such advertising has been previously filed with the state by us. We and our affiliates may charge you for the costs incurred in printing large quantities of advertising and marketing materials supplied to you at your request.

Insurance

The Franchise Agreement requires you to furnish to us copies of all insurance policies required by the Franchise Agreement, or such other evidence of insurance coverage and payment of premiums as we request. Insurance coverage must meet our minimum requirements. All insurance policies must name us as an additional insured party. We are not an approved supplier of the required insurance policies.

For your protection and ours, you agree to maintain the following business owners policy (BOP) insurance: (i) "all risk" property insurance coverage on all assets, including furniture, fixtures, equipment, supplies and other property used in the operation of your business, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost; (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iii) errors and omission insurance, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iv) Worker's Compensation & Employers Liability and other insurance to meet statutory requirements: Coverage shall apply to all workers and employees, including sole proprietors, partners, members of an LLC, and officers of a corporation, regardless of whether or not such persons come under the statutory requirements to carry this coverage; (v) Automobile Liability Insurance: A combined single limit of \$1,000,000 per Occurrence. Coverage shall apply to all owned, hired, and/or non-owned automobiles used in the business, including vehicles used for delivery or catering operations; (vi) any other insurance that we specify in the Confidential Operation Manual(s) from time to time. You agree to provide us with proof of coverage on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which your business is operated. All insurance policies must be endorsed to: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 30 days prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 30 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. You must also maintain all other insurance required by state or federal law, or as required by your landlord (if you have one).

You will provide proof of insurance to us before beginning operations of your Business. This proof will show that the insurer has been authorized to inform us in the event any policies lapse or are canceled or modified. Noncompliance with the insurance provisions in the Area Representative Franchise Agreement will be deemed a material breach of the agreement. In the event of any lapse in insurance coverage, we have the right to demand that you cease operations of your Business until coverage is reinstated.

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ITEM 9: FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the Area Representative Franchise Agreement. It will help you find more detailed information about your obligations in that agreement and in other items of this disclosure document.

Obligation	Section in Agreement	Disclosure document item
a. Site selection and acquisition/lease	Sections 2.1 and 2.2	Items 11 and 14
b. Pre-opening purchases/leases	Sections 5.5, 6.5, and 7	Item 11
c. Site development and other pre-opening requirements	Not Applicable	Items 7, 8, and 11
d. Initial and ongoing training	Sections 5.2, 5.3, and 5.7	Items 6, 7, 8, and 11
e. Opening	Not Applicable	Item 11
f. Fees	Sections 5.2, 5.3, 6.6, 7, 8.1, 11.3, 16.2, and 16.15	Items 5, 6, 7, and 11
g. Compliance with standards and policies/operating manual	Sections 5.3 and 6.2	Item 11
h. Trademarks and proprietary information	Sections 9 and 10; and Confidentiality Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 5.10	Items 8, 11, and 16
j. Warranty and customer service requirements	Section 6.1	Item 11
k. Territorial development and sales quotas	Sections 2.1 and 2.2	Item 12
l. Ongoing product/service purchases	Section 5.10	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 5.8	Item 11
n. Insurance	Section 6.5 and 6.6	Item 8
o. Advertising	Sections 5.9, 6.7, 6.8, and 6.9	Items 6, 7, 8, and 11
p. Indemnification	Section 16.2	Item 17
q. Owner’s participation/management/staffing	Not Applicable	Items 11 and 15
r. Records and reports	Sections 6.10 and 6.11	Item 11
s. Inspections and audits	Section 5.8	Items 6 and 11
t. Transfer	Section 11	Items 6 and 17
u. Renewal	Section 4	Items 6 and 17
v. Post-termination obligations	Section 13.2	Item 17
w. Non-competition covenants	Section 12	Items 15 and 17
x. Dispute resolution	Sections 14, 15, 16.7, 16.8, and 16.9	Item 17
y. Other (Solicit Franchisees within designated area)	Sections 2.1 and 2.2	Item 12

ITEM 10: FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you.

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

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

Before you open the Restaurant, we will:

We will grant you an area in which you will have the exclusive right to develop (Section 1 of the Area Representative Franchise Agreement) the number of units which you will develop within a specific period of time. (Section 2 of the Area Representative Franchise Agreement.)

GOODCENTS will train you to solicit, recruit, and support franchisees in your Designated Area. The training program will last approximately three (3) days and needs to be completed within thirty (30) days of signing your Area Representative Franchise Agreement.

GOODCENTS will train you to market and operate your business and to operate a single GOODCENTS Unit. You will be solely responsible for the compensation, travel, lodging and living expenses you and your manager incur regarding attendance at the initial training program or at any supplemental or refresher training programs. The training program consists of classes conducted at GOODCENTS' offices or at other designated locations and on-the-job training furnished at one of GOODCENTS' Restaurants and will last approximately 30 days. (Section 5.2 of the Area Representative Franchise Agreement.)

Provide you with the Operations Manual. (Section 5.3 of the Area Representative Franchise Agreement.)

Time to Open

The typical length of time between signing the Franchise Agreement and commencing business is between zero (0) to ninety (90) days. This will depend on the availability of your and/or your approved designee's satisfactory completion of the training programs.

During Operation of your Area Representative Business

Use our best efforts to promptly process all franchise applications made by prospective franchisees and forwarded to us by you (Section 5.6 of the Area Representative Franchise Agreement.)

Provide you with information and training on an ongoing basis to operate your business more efficiently. (Section 5.3 of the Area Representative Franchise Agreement.)

Assist you in marketing your development area through our marketing materials and campaigns, which we develop. (Section 6.7 of the Area Representative Franchise Agreement.)

Allow you to use our Marks under the terms and conditions which we prescribe. (Section 9 of the Area Representative Franchise Agreement.)

Provide you with confidential information to assist you in regard to site selection determination and other aspects of operating the business on an ongoing basis. (Section 10 of the Area Representative Franchise Agreement.)

Advertising

We have developed, and we administer at our discretion, advertising, public relations, sales promotion and franchisee solicitation programs.

You will be required to market to establish new GOODCENTS units in your area of development.

The media in which the advertising may be disseminated includes print, point of purchase, radio, television, digital, and billboard. The media coverage is presently local and regional.

We are not obligated to spend any amount on advertising in your exclusive area, but we will provide you with marketing materials and information to help you develop your area, at a cost to you. You may use your own marketing materials, as long as we have approved them at least 14 days in advance of their use. (Section 6.7 of the Area Representative Franchise Agreement.)

We will provide marketing services to GOODCENTS unit operations in your area of development which will enhance your presence and public knowledge about the business unit operations which you are developing. (Section 6.7 of the Area Representative Franchise Agreement.)

Advertising Council

There is no advertising council, but GOODCENTS units in your exclusive area are required to market which will enhance your presence.

Advertising Cooperative

There is no Advertising Cooperative.

National Marketing and Promotional Fund

There is no National Marketing and Promotional Fund.

Computer Hardware and Software

You are not required to purchase any specific computer hardware or software; however you must have hardware and software which can run business operations.

Operations Manual

We provide you access to Goodcents University, an online training portal, during the term of the franchise agreement. Goodcents University consists of operation manuals, training videos, and other materials related to operations (collectively, the “Operations Manual”).

The Operations Manual contains mandatory and suggested specifications, standards and operating procedures prescribed by us for GOODCENTS RESTAURANTS and information relative to your other obligations. We have the right to modify the Operations Manual to reflect changes in products, services, specifications, standards and operating procedures, including marketing techniques. No addition or modification may alter your fundamental status and rights. The master copy of the Operations Manual that we maintain at our principal place of business controls if there is a dispute relative to the contents of the Operations Manual.

Table of Contents to Operations Manual

	TITLE	Hours of Training
Basic Operations	Sanitization & Certified Clean	1-2
	The Goodcents Experience	1-2
	Dress & Wrap / Expo	2-3
	Register & Goodcents to Go Basics	2-4
Intermediate Operations	Goodcents to Go Production	2-4
	Slice Master Training	1-2
	Bake Master Training	2-4
Advanced Operations	Trainer Certification	2-4
	Daily Administration Training	3-6
	Weekly Administration Training	2-4
	Monthly Administration Training	2-4

	TITLE	Hours of Training
In-Store Training (Crew & Leadership)	Daily Crew Checklists	200
	Station Assignments	
	The Goodcents Experience	
	Slicer	
	Dress	
	Register	
	Dress 2	
	Wrap / Expo	
	Bake Master	
	Daily Administrative Checklists	
	Station Assignment Management	
	Catering Management	
	Weekly, Bi-Weekly, Monthly Inventories	
	Calculating Food Costs	
Franchisee	Franchisee Disclosure Document (FDD)	10-20
	Business Basics	
	Professional Legal Counsel	
	Human Resources	
	Pre-Open Administration Checklist	
	Professional Accounting Services	
	Restaurant Chart of Accounts (P&L)	
	Admin Expenses Chart of Accounts (P&L)	
	Chart of Accounts (Balance Sheet)	
	Liabilities and Shareholder Equity	
	Preparing a Business Plan	
	Maintain Monthly P&L	
	Financial Reporting to Franchisor	
	Targeting the Right Community	
	Franchisee Thought Process Checklist	
	Site Criteria	
	Site Survey Form	
	Site Selection Checklist	
	Real Estate/Broker Letter	
	Development/Leasing	
	Letter of Intent	
	Project Plan	
	White Box Specifications	
	Construction Cost Estimating Tips	
	Construction Bid	
	Architect	
	Goodcents Sign Criteria	
	Signage Survey	
Equipment Order Forms		
Permits and Inspectors		
Pre-Installation Checklist for Equipment		
Equipment and Millwork Punch List		

Training

Directly after signing your Area Representative Franchise Agreement, GOODCENTS, or a contractor designated by GOODCENTS, furnishes you (or your partnership, corporation or limited liability corporation, the managing partner, shareholder or managing member) an initial training to conduct the business of an Area Representative. This training will be conducted at GOODCENTS' training facility in De Soto, Kansas or other facilities designated by GOODCENTS including the potential of courses conducted online.

The outline of the Area Representative business training program is:

The Area Representative Business Training Content:

SECTION	TITLE	Hours of Training
Area Representative Business Training Content	How to Solicit Franchisees	4-8
	What You Can/Cannot Disclose	1-2
	Goodcents Basics	5-8
	FDD Review	5-8
	Sales Process Steps	2-5
	CRM Training	2-3

Before the opening of the Restaurant, we will conduct a 30-day initial training program for the operation of your Restaurant, which will include instruction relating to the operation of the Restaurant, understanding the equipment and product usage, costs and cash control, guest service, marketing and sales programs, accountability for sales and marketing, management roles, job function of crew members, crew scheduling and methods of controlling operating costs.

The outline of the initial training program is as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Real Estate	1	0	GOODCENTS UNIVERSITY (Online), GOODCENTS R&D Facility in De Soto, KS and Restaurant
Business Plan	1	0	
Restaurant Operations	1.5	200	
Personnel Management	1	(included in above)	
Food Management	4 –	(included in above)	
Sales Marketing	1.5	(included in above)	
Organization & Time Mgmt	1	(included in above)	
Equipment Maintenance	1	(included in above)	
Administration	2	(included in above)	
Testing	0	10-15	

The Area Representative business training program and the initial training program are offered throughout the year and will be scheduled depending upon the number of Area Representatives requesting training. Training will be conducted at GOODCENTS’ training facility in De Soto, Kansas or other facilities designated by GOODCENTS and on-the-job training at one of the GOODCENTS Training Restaurants.

The instructional materials may include our Operation Manual and certain resources available through our intranet. Various additional individuals and firms may contribute training materials or offer in-person guidance in specific areas related to the development and operation of your Franchised Business.

Todd Anderson, Director of Training for GOODCENTS will oversee the training program. He has over 20 years of experience with GOODCENTS.

The cost of the Area Representative business training program and the cost of the initial training program is included in the initial franchise fee. However, you will be solely responsible for the compensation, travel, lodging, and living expenses you and your manager incur regarding attendance at the initial training program or at any supplemental or refresher training programs.

You and your managers must attend and successfully complete, to our satisfaction, the Area Representative business training program and the initial training program at least 10 days before your Restaurant is open for business.

If, during any training program, we determine, in our sole discretion, that any proposed manager is not qualified to manage the Restaurant, we will notify you in writing. You must select a substitute manager to attend and successfully complete, to our satisfaction, the initial training program (Paragraph A, Section 5 of Unit/Multi-Unit Franchise Agreement).

We have the right to require that you (or the managing partner, shareholder or managing member) and any manager or assistant managers attend, and complete to our satisfaction, supplemental and refresher training programs provided by us during the term of the Franchise Agreement. The supplemental and refresher training will be furnished at a time and place designated by us. We have right to assess you reasonable charges for the supplement and refresher training (Section 5 Paragraph A, of Unit/Multi-Unit Franchise Agreement Franchise Agreement).

ITEM 12: TERRITORY

Your Area Representative Franchise Agreement grants you the exclusive right to operate in a defined Representative Area the specific size and location of which depend on population demographics, your capacity to recruit prospective Franchise operations and provide Support Services in the Representative Area, and the number of Franchise operations we believe the Representative Area can sustain. You and we will mutually agree on your Representative Area when you sign the Area Representative Franchise Agreement. There is no specific minimum or maximum area that we must include in your Representative Area. Your Representative Area may not be changed unless you and we both agree to the change in writing.




If you are in compliance with your Area Representative Franchise Agreement, then we and our affiliates will not operate, establish, grant, or operate in your Representative Area another Area Representative Franchise offering GOODCENTS Franchise operations, or any GOODCENTS Franchise operations not required to be developed under your Area Representative Franchise Agreement. The continuation of your right to operate an Area Representative Franchise in your Representative Area, or to receive royalties for any Franchise operations operating in your Representative Area, depend upon your compliance with your Area Representative Franchise Agreement, including the minimum Representative obligations defined in your Area Representative Franchise Agreement.

You may solicit prospective Franchise operations residing outside your Representative Area but interested in opening a franchise within your Representative Area without having to pay any special compensation to us or any other Area Representative. Likewise, Area Representative outlets owned by us, our affiliates (if applicable), or other Area Representatives may solicit prospective franchisees residing in your Representative Area but interested in opening a franchise in another Representative Area without having to pay you any special compensation. You may not solicit prospective franchisees for a Franchise operation located outside of your Representative Area. We will forward to you any leads or referrals that we receive from prospective franchisees interested in purchasing a Franchise operation in your Representative Area, and you will be entitled to the compensation referred to in Item 11 only if GOODCENTS grants the prospective franchisee the right to operate their business under the name GOODCENTS in your Representative Area.

ITEM 13: TRADEMARKS

GOODCENTS grants you the right to operate your business under the name GOODCENTS®. You may also use GOODCENTS' other current or future trademarks developed by GOODCENTS for the System to operate your GOODCENTS Business. By trademark GOODCENTS means trade names, trademarks, service marks, and logos used to identify your business. You are prohibited from creating a domain name using the Licensed Marks.

GOODCENTS has registered the following marks on the Principal Register of the United States Patent and Trademark office:

MARK	REGISTRATION DATE	REGISTRATION NUMBER
 MR. GOODCENTS AND DESIGN	July 13, 1993	1781776
MR. GOODCENTS	June 21, 1994	1840932
Good Food That Makes Good Sense	February 6, 1996	1954446
CENTSABLE SUB	February 25, 2003	2690018
PENNY CLUB	November 28, 2006	3177043
GOODCENTS	May 3, 2011	3954790
GOODCENTS DELI FRESH SUBS	October 30, 2012	4234042
WE DELIVER. WE CATER. WE CARE.	September 15, 2015	4812617
GOODCENTS CENTSABLE KITCHEN and DESIGN	July 24, 2018	5523123
GOODCENTS CENTSABLE KITCHEN	July 24, 2018	5523122
 GOODCENTS (stylized)	December 22, 2020	6227278
 G MR. GOODCENTS 1989 KC	December 29, 2020	6232880
GOODCENTS TO GO	July 5, 2022	6779073

We do not have a federal registration for the following marks: GOODCENTS TO GO AND DESIGN, OR MR. GOODCENTS DESIGN W/HANDS. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

GOODCENTS has timely filed all affidavits and renewals that are required to be filed regarding these trademarks.

Termination of the License Agreement will not affect existing Franchise Agreements. No other agreement limits our right to use or license the Licensed Marks.

GOODCENTS may establish new Licensed Marks in the future, and you must use and display these Licensed Marks according to specifications and bear all costs associated with changes to the Licensed Marks or introduction of new Licensed Marks. You must follow GOODCENTS' rules when you use these Licensed Marks. You cannot use a name or Licensed Mark as part of a corporate name or with modifying words, designs, or symbols except for those which GOODCENTS licensed to you. You may not use GOODCENTS' registered name in the sale of an unauthorized product or service or in any manner GOODCENTS does not authorize in writing. You may not use any other mark, name, commercial symbol, or logotype in connection with the operation of your GOODCENTS RESTAURANT, without GOODCENTS' consent.

GOODCENTS has registered the domain names "goodcentssubs.com" and "ownagoodcents.com." You acknowledge that GOODCENTS is the lawful and sole owner of the domain names "goodcentssubs.com" and "ownagoodcents.com" which incorporate our trademarks MR. GOODCENTS® and GOODCENTS®. You agree not to register the trademark GOODCENTS® or any of the Licensed Marks now or hereafter owned by GOODCENTS or any abbreviation, acronym or variation of the Licensed Marks, or any other name that could be deemed confusingly similar, as Internet domain names. GOODCENTS retains the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of a website using the Licensed Marks. You shall not in any way: (a) link or frame our websites; (b) conduct any business or offer to sell or advertise any products or services on the worldwide web; and (c)

create or register any Internet domain name in connection with your franchise.

There is presently no effective determination of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, of any pending infringement, opposition or cancellation proceeding or any pending material litigation involving trademarks, service marks, trade names, logo-types or other commercial symbols which is relevant to the use in this state; and no agreements exist which significantly limit in any manner material to you, the rights of GOODCENTS to use or license the use of marks, names, logos or symbols.

You shall not contest, directly or indirectly, GOODCENTS' ownership of the Licensed Marks, trade secrets, methods and procedures which are a part of the GOODCENTS Franchise System. You shall not register, seek to register, or contest GOODCENTS' sole right to register, use and license others to use the marks, names, information, and symbols.

You must immediately notify GOODCENTS of any apparent infringement of or challenge to your use of any Licensed Marks, and GOODCENTS has sole discretion to take any action it deems appropriate.

There are no agreements currently in effect that would significantly limit GOODCENTS' rights to use or license the use of such proprietary marks that are material to the franchise.

Any goodwill associated with the Licensed Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to the benefit of GOODCENTS.

There may be infringing uses in regional markets by third parties who may be utilizing the name "GOODCENTS" in a retail Restaurant or distributorship and this use would not be under a federal registration, but by application of common law trademark rights. If the use in local markets was determined to be before GOODCENTS' use, GOODCENTS and franchisees may be prohibited from utilizing the marks, names, logos or symbols within the market of the prior use.

Your right to use the Licensed Marks is derived solely from the Area Representative Franchise Agreement. All uses of the Licensed Marks by you and any goodwill established inures to the exclusive benefit of GOODCENTS. After the termination or expiration of the Area Representative Franchise Agreement, you may not, except for GOODCENTS businesses operated by you under Franchise Agreements granted by GOODCENTS, directly or indirectly, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, GOODCENTS or use in any manner or for any purpose any Licensed Mark or other indicia of the GOODCENTS businesses or any colorable imitation.

You may not use any mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may you use any Licensed Mark in connection with any business or activity, other than the business conducted by you, according to the Franchise Agreements entered into between you and GOODCENTS, or in any other manner GOODCENTS does not explicitly authorize in writing.

You must immediately notify GOODCENTS in writing of any apparent infringement of or challenge to your use of any Licensed Mark, or claim by any person of any rights in any Licensed Mark or similar trade name, trademark, or service mark of which you become aware. You may not communicate with any person other than GOODCENTS and its counsel regarding any infringement, challenge or claim. GOODCENTS will have sole discretion to take any action it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Licensed Mark.

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ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

GOODCENTS does not now own any rights to any patent which is material to the franchise. GOODCENTS claims copyright protection for the Operations Manual, advertising and marketing materials and similar items used in the operation of the GOODCENTS RESTAURANT. We have not registered these copyrights with the U.S. Register of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your GOODCENTS Restaurant.

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

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

Our Operations Manual and other materials may contain Confidential Information, some of which could constitute trade secrets under applicable law. This information may include site selection criteria, recipes, methods, formats, specifications, standards, systems, procedures, food preparation techniques, experience in using and operating a GOODCENTS business, marketing and advertising programs, computer software, or similar technology that is proprietary to us, knowledge of specifications, knowledge of the operating results and financial performance of the GOODCENTS business and related intellectual property.

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

You may not use our Confidential Information in any unauthorized manner. You must take reasonable steps to prevent improper disclosure to others and use nondisclosure and non-competition agreements with those having access to our Confidential Information.

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

You (or an approved managing partner, approved manager, shareholder or managing member GOODCENTS approves in writing) must exert your full-time efforts to your obligations under the Area Representative Franchise Agreement and may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations under the Area Representative Franchise Agreement. You (or the managing partner, shareholder, or managing member) must monitor and supervise the operations of the GOODCENTS businesses in your designated area but need not be engaged in the day-to-day operations of any Restaurant.

ITEM 16: RESTRICTIONS ON WHAT THE AREA REPRESENTATIVE MAY SELL

Each GOODCENTS business opened in the Area Representative Territory is subject to restrictions on goods and services you may offer that are contained in GOODCENTS' then-current standard Franchise Agreement.

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

This table lists important provisions of the Area Representative Franchise Agreement.

You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term.	Section 4	Term of Area Representative Franchise Agreement is five (5) years from the date of execution.
b. Renewal or extension of the term.	Section 4	Your renewal rights permit you to remain an Area Representative after the initial term of your Area Representative Franchise Agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renew, we will offer you the right to one (1) renewal term of five (5) years.
c. Requirements for franchisee to renew or extend.	Section 4	You must: have substantially complied with the Area Representative Franchise Agreement; give notice of intent to renew; sign new Area Representative Franchise Agreement in our then-current form which may include terms and conditions materially different from those in the original Area Representative Franchise Agreement (e.g., no further renewals, higher royalty fees, etc.); sign general release of claims against us and related parties (see Exhibit I); pay the applicable renewal fee (see Item 6); cure any defaults; and pay all amounts owed to us.
d. Termination by franchisee.	Not Applicable	Not applicable.
e. Termination by franchisor without cause.	Not Applicable	Not applicable.
f. Termination by franchisor with cause.	Section 13.1	Only upon written notice to you. No default under the Area Representative Agreement shall cause a default under an Area Representative Franchise Agreement unless there is an independent default under the applicable Area Representative Franchise Agreement.
g. "Cause" defined – curable defaults.	Section 13.1	You have 10 days after written notice of default to cure: failure to pay amounts due. You have 30 days after written notice of default to cure: noncompliance with any other provisions of the Area Representative Franchise Agreement..
h. "Cause" defined – non-curable defaults.	Section 13.1	You make an unauthorized transfer; you fail to meet your minimum Representative obligation for any Representative period; you make material misrepresentation or omission in acquiring or operating the franchise; you do not satisfactorily complete initial training; you are convicted of or plead guilty to a felony; you fail to maintain required insurance; you engage in dishonest, unethical, or illegal conduct, or any conduct that we believe adversely affects the reputation of us, our franchises, or goodwill of the Marks; you knowingly make unauthorized use or disclosure of the Area Representative Manual or Confidential Information; you fail on 2 or more occasions in any 12-month period or 3 or more separate occasions in any 24-month period to timely pay amounts due or submit required reports, or comply with the Area Representative Agreement; you become insolvent, or make an assignment for the benefit of creditors; or any attachment or seizure of the franchise assets is not vacated within 30 days.
i. Franchisee's obligations on termination/non-renewal.	Section 13.2	You must cease using our Marks and Confidential Information; cease identifying yourself as our franchisee; cancel fictitious or assumed names related to your use of the Marks; deliver to us within 30 days all advertising, forms, and other materials containing the Marks or related to the franchise; notify search

Provision	Section in franchise or other agreement	Summary
		engines of termination and your right to use domain names, websites, or other search engines related to the Marks or our franchises; and provide us with evidence of your trad with the above obligations within 30 days of termination.
j. Assignment of contract by franchisor.	Section 11.1	Fully transferable by us.
k. "Transfer" by franchisee – defined.	Section 11.2(b)	Transfer includes: any voluntary, involuntary, direct or indirect assignment, sale, or gift of the franchise; transfer of ownership, merger, exchange, issuance of additional ownership interests, redemption of ownership interests, or sale of exchange of voting interests in you (if you are a legal entity); transfer of interest in the Area Representative Agreement, you, the franchise, or its assets because of divorce, insolvency or dissolution, or operation of law; transfer because of the death of you or an owner of you; or any pledge of the Area Representative Franchise Agreement or ownership interest in you.
l. Franchisor approval of transfer by franchisee.	Section 11.2(a)	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer.	Sections 11.3 and 11.4	You must pay all amounts owed to us; new owner assumes your obligations; new owner, its affiliates, and its owners do not have any interest in or work for a competitive business; new owner completes or agrees to complete initial training; new owners signs our then current Area Representative Franchise Agreement and ancillary agreements and pays the then-current Area Representative Franchise Fee; new owner has strictly complied with obligations to us and is not in default of those obligations; you pay us a transfer fee (see Item 6 - \$25,000); you sign a transfer release (see Exhibit I); you do not identify yourself as a current or former franchisee of ours, or use any Mark. You may transfer the franchise and its assets to a newly formed legal entity principally controlled by you and your principals if the new entity operates the franchise and complies with the Area Representative Franchise Agreement, and you provide information about the transfer to us and the entities owners.
n. Franchisor's right of first refusal to acquire franchisee's business.	Section 11.6	We have 30 days to match any offer.
o. Franchisor's option to purchase franchisee's business.	Not Applicable	Not applicable.
p. Death or disability of franchisee.	Section 11.5	Executor, administrator, or other representative must transfer interest of franchisee or owner within 9 months of your or an owner's death or disability. All transfers are subject to provisions in Area Representative Franchise Agreement regulating transfers
q. Non-competition covenants during the term of the franchise.	Section 12.1	No involvement in competing business anywhere in U.S.
r. Non-competition covenants after the franchise is terminated or expires.	Section 12.2	No competing business for two years within 15 miles of your location or within 15 miles of another GOODCENTS franchise.
s. Modification of the agreement.	Section 16.11	No modifications unless you and we both sign; we may amend Area Representative Manual at any time.
t. Integration/merger clause.	Section 16.11	Only the Area Representative Franchise Agreement and this Franchise Disclosure Document apply (subject to state law); all other agreements or promises not enforceable. Nothing in this or any other agreement is intended to disclaim the representations made in franchise disclosure document.
u. Dispute resolution by arbitration or mediation.	Section 15.7	Except for certain claims, you and we must mediate all disputes in Johnson County, Kansas (subject to state law).
v. Choice of forum.	Section 16.8	Johnson County, Kansas (subject to state law).

Provision	Section in franchise or other agreement	Summary
w. Choice of law.	Section 16.7	Johnson County, Kansas, except for matters regulated by the United States Trademark Act (subject to state law).

ITEM 18: PUBLIC FIGURES

GOODCENTS does not use any public figure to promote its 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. 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: Compliance Officer, at 8997 Commerce Drive, De Soto, Kansas 66018, 913-583-8400 and the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLET AND FRANCHISEE INFORMATION

As of December 31, 2023, there were 5 Area Representatives.

Table No. 1
Systemwide Outlet Summary
For years 2021-2023

Outlet Type	Year	Area Representatives at the Start of the Year	Area Representatives at the End of the Year	Net Change
TOTAL	2021	2	2	0
	2022	2	3	+1
	2023	3	5	+2

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

State	Year	Number of Transfers
	No Transfers	

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Table No. 3
Status of Franchised Outlets
For Years 2021-2023

	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For Years 2021-2023

	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5
Projected Openings
As of December 31, 2023

State	Area Rep Agreements Signed but Outlets Not Opened	Projected New Area Rep Agreements In the Next Fiscal Year	Projected New Company-Owned Area Outlets in the Next Fiscal Year
Total	0	0	0

There are no franchisees who had an Area Representative franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recent completed fiscal year or who have not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

There are no previous Area Representative franchisees. There are five current Area Representative franchisees:

Contact Name	Company	Metro Area	Last Known Phone Number
Maggie Rothe	1603 G, LLC	St Louis, MO	314-565-3696
Moussa Sobaiti	Moussa Sobaiti	Kansas City Metro	831-905-1377
Hetalben R Patel, Ketankumar P Patel, Hitesh Patel	Shree Harikrishna LLC	Adams, Dauphin, Delaware & Lehigh counties in Pennsylvania	203-556-5201
Jacqueline and Chad Johnson	One Expensive Sandwich, LLC	Katy, TX	816-210-6449
Will and Gina Gregalunas	TWGL, LLC	Omaha, NE	402-659-5818

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

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in the Area Representative Disclosure Document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit A is the audited financial statements for GOODCENTS as of December 31, 2023, December 31, 2022, and December 31, 2021.

ITEM 22: CONTRACTS

The following contracts are attached to this Franchise Disclosure Document:

Exhibit B	Area Representative Franchise Agreement
Exhibit C	Designated Representative Area
Exhibit D	Development Obligation
Exhibit E	Ownership Interests in Area Representative
Exhibit F	Agents for Service of Process
Exhibit G	State Administrators
Exhibit H	State Addenda
Exhibit I	Releases

ITEM 23: RECEIPTS

Exhibit J contains detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A

FINANCIAL STATEMENTS



**MR. GOODCENTS FRANCHISE SYSTEMS, INC.
AND SUBSIDIARY**

Consolidated Financial Statements and
Independent Auditor's Report

December 31, 2023, 2022, and 2021

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

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Independent Auditor's Report

Board of Directors
Mr. Goodcents Franchise Systems, Inc. and Subsidiary
De Soto, Kansas

Opinion

We have audited the accompanying consolidated financial statements of Mr. Goodcents Franchise Systems, Inc. and Subsidiary (a Kansas corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income and retained earnings (deficit), and cash flows for the years then ended, and the related summary of significant accounting policies and the related notes to the consolidated financial statements.

In our opinion, the 2023 and 2022 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mr. Goodcents Franchise Systems, Inc. and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Mr. Goodcents Franchise Systems, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statement of Mr. Goodcents Franchise Systems, Inc. and Subsidiary as of December 31, 2021 were audited by other auditors whose report dated April 20, 2022 expressed an unmodified opinion on those consolidated statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Mr. Goodcents Franchise Systems, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mr. Goodcents Franchise Systems, Inc. and Subsidiary'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.

Independent Auditor's Report

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 and 2022 schedules of segmented consolidated statements of operations, and national marketing and promotional fund percentages on pages 19 – 20, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The 2021 schedules of segmented consolidated statements of operations, and national marketing and promotional fund percentages on pages 20 – 21 were audited by other auditors whose report dated April 20, 2022 expressed an unmodified opinion on those consolidated statements.

Mize CPAs Inc.

Overland Park, Kansas
March 4, 2024

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Consolidated Balance Sheets
December 31,

<u>Assets</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash	\$ 429,347	\$ 382,122	\$ 441,943
Accounts receivable – net:			
Trade	313,829	442,346	523,882
Related party	160,490	34,547	70,019
Prepaid expenses	188,524	218,099	78,927
Note receivable, current	1,500	1,500	1,500
Deferred commissions, current	23,166	14,358	20,700
Total current assets	<u>1,116,856</u>	<u>1,092,972</u>	<u>1,136,971</u>
Property and equipment:			
Furniture, fixtures, and equipment	317,675	317,675	241,226
Computer equipment	293,133	276,504	172,347
Vehicles and transportation equipment	245,872	221,968	88,917
Leasehold improvements	58,275	50,550	-
Construction in progress	-	4,000	71,557
Total property and equipment	<u>914,955</u>	<u>870,697</u>	<u>574,047</u>
Less accumulated depreciation	<u>540,733</u>	<u>411,328</u>	<u>452,586</u>
Net property and equipment	<u>374,222</u>	<u>459,369</u>	<u>121,461</u>
Other assets:			
Operating lease right-of-use assets, net of amortization	28,877	40,995	-
Note receivable, net of current portion	9,000	9,000	10,500
Long term related party receivable	198,342	198,342	-
Deferred commissions, net of current portion	104,651	86,176	59,232
Deposits and franchising rights	7,096	4,638	25,339
Total other assets	<u>347,966</u>	<u>339,151</u>	<u>95,071</u>
Total assets	<u>\$ 1,839,044</u>	<u>\$ 1,891,492</u>	<u>\$ 1,353,503</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Consolidated Balance Sheets
December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Liabilities and Stockholder's Equity (Deficit)</u>			
Current liabilities:			
Accounts payable:			
Trade	\$ 104,508	\$ 192,798	\$ 141,565
Related party	488	34,048	-
Unredeemed gift certificates	79,393	19,761	48,484
Accrued expenses	319,987	326,567	344,077
Line of credit	190,000	190,000	-
Operating lease liabilities, current	12,272	12,552	-
Debt, current	60,774	60,837	15,093
Total current liabilities before unearned revenue	<u>767,422</u>	<u>836,563</u>	<u>549,219</u>
Deferred franchise fees, current	128,831	114,817	35,792
Unearned vendor funding, current	47,622	47,622	40,221
Total current liabilities	<u>943,875</u>	<u>999,002</u>	<u>625,232</u>
Long-term liabilities:			
Operating lease liabilities, net of current portion	16,605	28,443	-
Debt, net of current portion	241,199	299,511	150,000
Deferred franchise fees, net of current portion	195,388	163,716	202,550
Unearned vendor funding, net of current portion	324,433	370,575	459,335
Total long-term liabilities	<u>777,625</u>	<u>862,245</u>	<u>811,885</u>
Total liabilities	<u>1,721,500</u>	<u>1,861,247</u>	<u>1,437,117</u>
Stockholder's equity (deficit):			
Common stock, no par value; 50,000 shares authorized; issued and outstanding	100	100	100
Retained earnings (deficit)	117,444	30,145	(83,714)
Total stockholder's equity (deficit)	<u>117,544</u>	<u>30,245</u>	<u>(83,614)</u>
Total liabilities and stockholder's equity (deficit)	<u>\$ 1,839,044</u>	<u>\$ 1,891,492</u>	<u>\$ 1,353,503</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Consolidated Statements of Income and Retained Earnings (Deficit)
Years Ended December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Franchise operations revenue	\$ 3,823,596	\$ 3,645,686	\$ 3,321,794
National marketing and promotional fund revenue	1,750,856	1,652,205	1,548,523
Total revenues	<u>5,574,452</u>	<u>5,297,891</u>	<u>4,870,317</u>
Operating expenses:			
Salaries and professional fees	2,041,323	2,060,173	1,661,042
Travel, meals, entertainment, and business meetings	248,396	334,730	133,513
Operating expense	744,107	720,591	638,466
Facility expense	648,948	561,669	539,745
Media placement	1,034,736	830,241	747,840
Administration	602,988	521,737	436,496
Production	25,502	25,071	163,547
Research and development	113,882	146,816	193,674
Total operating expenses	<u>5,459,882</u>	<u>5,201,028</u>	<u>4,514,323</u>
Income from operations	<u>114,570</u>	<u>96,863</u>	<u>355,994</u>
Other income (expense):			
Other income	2,233	10,506	5,619
Gain (loss) on disposal of equipment	-	42,485	(6,807)
Interest expense	(29,812)	(7,132)	(8,018)
Interest income	308	85	29
Total other (expense) income	<u>(27,271)</u>	<u>45,944</u>	<u>(9,177)</u>
Net income	<u>\$ 87,299</u>	<u>\$ 142,807</u>	<u>\$ 346,817</u>
Retained earnings (deficit):			
Beginning of year	\$ 30,145	\$ (83,714)	\$ (184,865)
Net income	87,299	142,807	346,817
Distributions to stockholder	-	(28,948)	(12,666)
Retained earnings at December 31, as previously stated	<u>117,444</u>	<u>30,145</u>	<u>149,286</u>
Prior period adjustment (see Note 7)	-	-	(233,000)
Retained earnings (deficit) at December 31, restated	<u>\$ 117,444</u>	<u>\$ 30,145</u>	<u>\$ (83,714)</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years Ended December 31,

	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 87,299	\$ 142,807	\$ 346,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	129,404	42,441	44,832
Amortization of operating lease right-of-use assets	12,118	11,967	-
(Gain) loss on disposal of equipment	-	(42,485)	6,807
Credit loss expense	3,778	24,005	-
Decrease (increase) in			
Accounts receivable	(1,204)	(105,339)	(350,067)
Prepaid expenses	29,575	(139,172)	552
Deferred commissions	(27,283)	(20,602)	6,642
Deposits and franchising rights	(2,458)	20,701	-
Increase (decrease) in			
Accounts payable	(121,850)	85,281	129,554
Unredeemed gift certificates	59,632	(28,723)	(11,633)
Accrued expenses	(6,580)	(17,510)	102,820
Deferred franchise fees	45,686	40,191	(35,083)
Unearned vendor funding	(46,142)	(81,359)	(40,222)
Operating lease liabilities	(12,118)	(11,967)	-
Net cash provided by (used in) operating activities	<u>149,857</u>	<u>(79,764)</u>	<u>201,019</u>
Cash flows from investing activities:			
Proceeds from the sale of equipment	-	44,000	9,820
Purchase of equipment	(44,257)	(164,159)	(95,570)
Repayment from notes receivable	-	1,500	1,500
Net cash (used in) investing activities	<u>(44,257)</u>	<u>(118,659)</u>	<u>(84,250)</u>
Cash flows from financing activities:			
Principal payments on debt	(58,375)	(22,450)	(20,162)
Proceeds from line of credit	-	190,000	-
Payments on line of credit	-	-	(2,000)
Distributions to stockholder	-	(28,948)	(12,666)
Net cash (used in) provided by financing activities	<u>(58,375)</u>	<u>138,602</u>	<u>(34,828)</u>
Net change in cash	47,225	(59,821)	81,941
Cash at beginning of year	<u>382,122</u>	<u>441,943</u>	<u>360,002</u>
Cash at end of year	<u>\$ 429,347</u>	<u>\$ 382,122</u>	<u>\$ 441,943</u>
Supplemental cash flow disclosures:			
Cash paid during the year for interest	<u>\$ 29,812</u>	<u>\$ 8,342</u>	<u>\$ 8,018</u>
Noncash investing and financing activities:			
Noncash distribution	\$ -	\$ -	\$ 233,000
Vehicles purchased with debt	\$ -	\$ 217,705	\$ -
Beginning of year operating lease right-of-use assets obtained in exchange for operating lease obligations	\$ -	\$ 52,962	\$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Summary of Significant Accounting Policies Years Ended December 31, 2023, 2022, and 2021

Nature of Operations

Mr. Goodcents Franchise Systems, Inc. and Subsidiary (the Company) was incorporated in the State of Kansas on March 20, 1991. The Company offers franchisor opportunities for quick-serve, “deli-fresh” sandwich, and hot pasta restaurants. These restaurants are located across the United States, with the highest concentration in the states of Kansas and Missouri.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Mr. Goodcents Franchise Systems, Inc. and its wholly owned subsidiary, S&P Air, LLC, a Kansas limited liability company. S&P Air, LLC provided nonscheduled air transportation for Company business. All material intercompany transactions and balances have been eliminated in consolidation. On December 31, 2021, S&P Air, LLC transferred its net assets to Mr. Goodcents Leasing Systems, Inc. (a commonly controlled entity). See Note 7 for additional information regarding the transfer of net assets.

Common Control Arrangements

The Company has elected to apply the accounting alternative provided to private companies in Financial Accounting Standards Board (FASB) ASC 810, *Consolidation*, for certain entities under common control. As a result, the Company is not required to evaluate consolidation of commonly controlled entities that meet certain criteria under the variable interest entity model. The election had no impact on the Company’s consolidated financial statements.

Accounting Method

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash

For purposes of the consolidated statements of cash flows, cash includes demand deposit accounts.

Revenue Recognition

Franchise Agreement Fees

The Company’s primary franchise agreement fee revenue consists of fees earned from the licensing to franchise owners that operate restaurant locations. The Company’s initial franchise agreements contain two performance obligations under FASB ASC 606, *Revenue from Contracts with Customers* (FASB ASC 606): (1) Pre-opening services; and (2) Franchise license rights. The Company has elected the practical expedient under FASB ASC 606, which allows for an accounting policy to account for the pre-opening services as a single performance obligation, which is satisfied when the Company has transferred control of the related services to the customer. The Company has determined that 80% of the initial franchise fee is to be recognized as pre-opening services when the customer opens a restaurant location. The Company has determined 20% of their initial franchise fee to be allocated to franchise license rights and is deferred and recognized ratably over the duration of the initial franchise agreement, generally 10 years.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Summary of Significant Accounting Policies Years Ended December 31, 2023, 2022, and 2021

Revenue Recognition (continued)

Franchise Agreement Fees (continued)

The Company's other franchise agreement fee revenue consists of franchise renewals, franchise transfers, and area representation agreements, which consists of an obligation to grant geographic exclusive area development rights to open five or more restaurant locations. The Company's renewal, transfer and area representation agreements also consist of two performance obligations: (1) Pre-agreement services; and (2) Franchise license rights. The Company has elected the practical expedient under FASB ASC 606, which allows for an accounting policy to account for the pre-agreement services as a single performance obligation, which is satisfied when the Company has transferred control of the related services to the customer. The Company has determined that 80% of the other franchise fees is to be recognized as pre-agreement services when the customer signs the agreement. The Company has determined that 20% of the other franchise fee is to be allocated to franchise license rights and is deferred and recognized ratably over the duration of the franchise agreement, generally 10 years.

The Company requires the entire franchise agreement fee to be paid upon execution of the agreement and it is nonrefundable, unless otherwise agreed upon with the customer.

Royalties

Royalties from franchise restaurants are calculated as defined in the franchise agreements as a percentage of gross revenue over the term of the franchise agreements. The franchise agreement royalties represent sales-based royalties and are related entirely to the Company's performance obligation under the franchise agreement. Royalties are recognized as franchise restaurant sales occur.

National Marketing and Promotional Fund Fees

National marketing and promotional fund fees from franchise restaurants are calculated as defined in the franchise agreements as a percentage of gross revenue over the term of the franchise agreements. Under the terms of the franchise agreement, the Company, in its sole discretion, will spend national marketing and promotional fund fees paid by franchise restaurants on various marketing and promotional programs and activities. The franchise agreement national marketing and promotional fund fees represent sales-based fees and are related entirely to the Company's performance obligation under the franchise agreement. National marketing and promotional fund fees are recognized as franchise restaurant sales occur.

Rebate Revenue

In 2017, the Company signed supplier agreements that contained incentives for the franchises to purchase the suppliers' products. Cash totaling \$810,000 was received upon signing the agreements and is recorded as unearned vendor funding. The cash received is earned over the course of the agreements as product is purchased from the vendors. The Company has entered into various other supplier agreements that do not contain incentives. Under these supplier agreements, the Company receives rebates as product is purchased by the franchises.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Summary of Significant Accounting Policies
Years Ended December 31, 2023, 2022, and 2021

Revenue Recognition (continued)

Commission Costs

The Company may incur commissions related to obtaining a license agreement with a franchise owner. Commission costs paid are considered incremental and recoverable costs of obtaining a contract with a customer under FASB ASC 606. Sales commissions for franchise agreements are recorded as deferred assets on the consolidated balance sheets and are amortized on a straight-line basis over the term of the license agreement, generally 10 years. Amortization expense related to the deferred commissions is included as a component of both salaries and professional fees and administration expenses in the accompanying consolidated statements of income and retained earnings (deficit).

See Note 5 for further details related to disaggregated revenue and contract asset and contract liability balances.

Trade Accounts Receivable, Notes Receivable, and Allowance for Credit Losses

The Company's trade accounts receivable is derived primarily from revenue related to franchise agreements, such as royalties and advertising, and signed supplier agreements in the form of rebates and other services provided. The primary customer base includes franchise restaurant owners and the vendors that supply goods and services to these owners. The Company's note receivable is from a store owner that did not have the franchise fees initially. At each balance sheet date, the Company evaluates trade accounts receivable and notes receivables for allowances for credit losses. In addition, also at each reporting date, these estimates are updated to reflect any changes in credit risk since the assets were initially recorded. These estimates are calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Company's historical losses in relation to the Company's historical trade accounts receivable and notes receivable balances. This estimate is adjusted for management's assessment of current conditions, forecasts regarding future events, the credit history and current relationships with their customers, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segments have remained constant the past several years. The Company's trade accounts receivable and notes receivable are primarily with customers that have defined and well-established agreements, and the credit risk is considered minimal based upon few historical collection issues. The Company is not aware of any present or future conditions that would significantly increase credit risk from these customers, thus credit risk remains minimal. Given these factors, the Company is anticipating expected credit losses to remain consistent with those incurred in the past and as a result, management has determined that a qualitative adjustment to its allowance for credit losses at December 31, 2023 is not necessary. Management has concluded that realized losses on balances outstanding at year-end will be immaterial. Accordingly, no reserve for uncollectible amounts has been recorded as of December 31, 2023, 2022, and 2021.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The write-offs of trade receivables and notes receivables was \$3,778, \$438, and \$0 during the years ended December 31, 2023, 2022, and 2021, respectively and is reported on the consolidated statements of income and retained earnings (deficit) as operating expense. During the year ended December 31, 2022, a related party receivable was written off to credit loss expense in the amount of \$23,567. Receivables from entities under common control are not within the newly implemented credit losses standard discussed below.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Summary of Significant Accounting Policies
Years Ended December 31, 2023, 2022, and 2021

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to income currently. When assets are sold or otherwise disposed, the assets and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Management has reviewed the carrying values of property and equipment and determined there is no impairment. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful life of the assets as described below. As discussed below, the Company implemented ASU 2023-01, which allows the Company to amortize leasehold improvements over the estimated useful life rather than the lease term for leases with commonly controlled entities.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	3 – 5 years
Furniture, fixtures, and equipment	3 – 7 years
Computer equipment	3 – 5 years
Vehicles and transportation equipment	5 – 7 years

For the years ended December 31, 2023, 2022, and 2021, depreciation expense was \$129,404, \$42,441, and \$44,832, respectively.

Income Taxes

Mr. Goodcents Franchise Systems, Inc. has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code, and S&P Air, LLC is a disregarded entity under Mr. Goodcents Franchise Systems, Inc. Under these provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, taxable income or loss is reported to the stockholder for inclusion in his respective income tax returns and no provision for federal or state income taxes is included in the consolidated financial statements.

The Company follows the FASB guidance on accounting for uncertainty in income taxes. Management evaluated the Company's tax positions and concluded that the Company had taken no material uncertain tax positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance. The Company is generally no longer subject to federal and state income tax examinations by taxing authorities for years before 2020. There are currently no examinations of the Company's income tax returns in progress.

Advertising Costs

The Company follows the policy of charging the media and production costs of advertising to expense as incurred. Total advertising costs charged to media placement and production expenses in the accompanying consolidated statements of income and retained earnings (deficit) were \$1,060,238, \$855,312, and \$911,387 for the years ended December 31, 2023, 2022, and 2021, respectively.

Research and Development Costs

Research and development costs are charged to expense as incurred. Total research and development costs charged to national marketing and promotional operations in the accompanying consolidated statements of income and retained earnings (deficit) were \$113,882, \$146,816, and \$193,674 for the years ended December 31, 2023, 2022, and 2021, respectively.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Summary of Significant Accounting Policies Years Ended December 31, 2023, 2022, and 2021

Going Concern

Management performs an evaluation to determine if the conditions and events, in the aggregate, indicate it is probable that the Company will not be able to meet its current obligations. Given the Company's cash balance and operating income, the Company determined conditions and events in the aggregate do not raise substantial doubt about the Company's ability to continue as a going concern for at least one year after the date the consolidated financial statements are available for issuance.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards Updates

During the year ended December 31, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (FASB ASC 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective approach. ASU 2016-13 introduces an expected credit loss model for the impairment of financial assets measured at amortized cost. The model replaces the probable, incurred loss model for those assets and broadens the information an entity must consider in developing its expected credit loss estimate for assets measured at amortized cost. On January 1, 2023, the entity adopted ASU No. 2016-13. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

In March 2023, the FASB issued ASU 2023-01, *Leases (FASB ASC 842): Common Control Arrangements*, which amended and clarified FASB ASC 842 as it relates to common control arrangements. Additionally, ASU 2023-01 amends the accounting for leasehold improvements in common control arrangements requiring leasehold improvement to be amortized over their useful lives regardless of the lease term. The Company has elected to early adopt ASU 2023-01 on January 1, 2023, and apply it prospectively to all new and existing leasehold improvements. Accordingly, no adjustment is required at the time of adoption.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
Years Ended December 31, 2023, 2022, and 2021

1. Cash and Cash Equivalents

The Company maintains cash balances at financial institutions whose accounts are secured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, the Company's cash balances may exceed the FDIC limits. At December 31, 2023, the Company held balances of approximately \$180,000 in excess of the FDIC insurance limits. The Company has not experienced any losses on such accounts, and management believes it is not exposed to any significant credit risk on its cash balances.

2. Line of Credit

The Company has a bank line of credit agreement allowing maximum borrowings of \$500,000. The line of credit is secured by all assets of the Company and is guaranteed by the Company's stockholder. The line of credit matured September 21, 2021 and was extended with no specific maturity date but is due on demand. Interest is payable monthly at the bank's prime rate plus 1.00% but cannot be less than 4.00%. The Company had a \$190,000, \$190,000, and \$0 balance on its line of credit at December 31, 2023, 2022, and 2021, respectively. The interest rate on the line of credit at December 31, 2023 was 8.50%.

3. Debt

Debt at December 31, 2023, 2022, and 2021, consists of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Vehicle loan dated December 30, 2022 at 4.29% interest. Collateralized by the vehicle. Payable in monthly installments of \$786 with final payment in January 2028.	\$ 35,242	\$ 43,006	\$ -
Vehicle loan dated December 29, 2022 at 4.29% interest. Collateralized by the vehicle. Payable in monthly installments of \$799 with final payment in January 2028.	35,823	42,302	-
Vehicle loan dated October 13, 2022 at 0.00% interest. Collateralized by the vehicle. Payable in monthly installments of \$3,678 with final payment in November 2025.	80,908	125,040	-
Vehicle loan dated October 19, 2017 at 10.05% interest. Collateralized by the vehicle. Payable in monthly installments of \$1,723 with final payment in October 2022.	<u>-</u>	<u>-</u>	<u>15,093</u>
Balance forward to next page	\$ 151,973	\$ 210,348	\$ 15,093

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
Years Ended December 31, 2023, 2022, and 2021

3. Debt (continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance forward from prior page	\$ 151,973	\$ 210,348	\$ 15,093
Economic Injury Disaster Loan from the Small Business Administration dated July 30, 2020 at 3.75% interest. Collateralized by all assets of the Company. Payable in monthly installments of \$731 starting in January 2023, with payments applied to interest first. Payments will begin to apply to principal in 2027, with final payment due in July 2050.	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Total debt	301,973	360,348	165,093
Less current portion	<u>(60,774)</u>	<u>(60,837)</u>	<u>(15,093)</u>
Noncurrent portion	<u>\$ 241,199</u>	<u>\$ 299,511</u>	<u>\$ 150,000</u>

The aggregate maturities of the debt described above are as follows:

Years ending December 31,	
2024	\$ 60,774
2025	53,780
2026	17,748
2027	20,690
2028	4,781
Thereafter	<u>144,200</u>
Total debt	<u>\$ 301,973</u>

4. Related Party Transactions

The Company has transactions with several entities that are related through common ownership as described below:

The Company leases office space from DeSoto Investments, LLC (DeSoto), an entity with common ownership. See Note 8 for a description of the leasing agreement with DeSoto. The Company paid rent of \$307,320, \$320,000, and \$285,000 to DeSoto for the years ended December 31, 2023, 2022, and 2021, respectively.

Profit Plus Business Solutions, LLC (Profit Plus), an entity with common ownership, provided accounting services to the Company through 2022. Charges for these services were \$59,040, and \$177,120 for the years ended December 31, 2022 and 2021, respectively. The balance owed to the Company from Profit Plus as of December 31, 2022 of \$23,567 was written off and is reported on the consolidated statements of income and retained earnings (deficit) as operating expense.

The Company utilizes IT services from InfoKING Systems, LLC (InfoKING), an entity with common ownership. The Company paid IT expenses of \$234,653, \$156,436, and \$133,761 to InfoKING for the years ended December 31, 2023, 2022, and 2021, respectively.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements Years Ended December 31, 2023, 2022, and 2021

4. **Related Party Transactions** (continued)

Custom Foods, Inc. (Custom Foods), an entity with common ownership, provides frozen dough products to various franchise restaurant locations. The Company earned rebates from Custom Foods of \$18,780, \$17,890, and \$17,561 for the years ended December 31, 2023, 2022, and 2021, respectively.

Mr. Goodcents, Inc. (Goodcents), an entity with common ownership, operates a restaurant location that tests new procedures and products. The Company earned advertising fees of \$7,218, \$4,209, and \$23,134 from Goodcents restaurants for the years ended December 31, 2023, 2022, and 2021, respectively.

The Company leases employees from Tri 3, Inc. (Tri 3), an entity with common ownership. The Company paid \$1,951,380, \$1,768,274, and \$1,217,623 for the years ended December 31, 2023, 2022, and 2021, respectively, to Tri 3 related to payroll costs for the Company. Tri 3 also manages the Company's 401(k) plan as discussed in Note 6.

The Company drew on its line of credit (see Note 2) and contributed these funds to Tri 3 during 2022. A long-term receivable was created for the line of credit balance plus accrued interest and is reported on the December 31, 2023 and 2022 consolidated balance sheets in the amount of \$198,405.

Mr. Goodcents Leasing, Inc. (Leasing), an entity with common ownership, provides travel services and air transportation to the Company. The Company paid \$150,000, \$130,000, and \$0 for these services for the years ended December 31, 2023, 2022, and 2021, respectively. S&P Air, LLC transferred its net assets to Leasing in 2021, creating a distribution to the stockholder in 2021. See Note 7 for additional information about this transaction.

The sole stockholder has various other entities that do not have any direct business transactions with the Company. However, the Company pays expenses on behalf of these entities and the entities will reimburse the Company for these payments.

On December 31, 2023, 2022, and 2021, the total amount owed to the Company by various related parties is \$358,832, \$232,889, and \$70,019, respectively. The Company owed various related parties \$488, \$34,048, and \$0 on December 31, 2023, 2022, and 2021, respectively.

5. **Revenue and Contract Balances**

The Company has various sources of revenue as discussed in the summary of significant accounting policies. Royalties and national marketing and promotional fund fees represent revenue earned at a point in time. Franchise agreement fees and rebate revenue represent revenue that has both components that are earned at a point in time and over time. Franchise operations revenue includes initial and continuing franchise fees, royalties, rebate revenue, and other revenue. National marketing and promotional fund revenue consist of only national marketing and promotional fund fees.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
Years Ended December 31, 2023, 2022, and 2021

5. Revenue and Contract Balances (continued)

Below is a breakdown of the various sources of revenue:

Years ending December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchise agreement fees	\$ 324,314	\$ 259,809	\$ 210,583
Royalties	2,726,851	2,536,060	2,358,934
National marketing and promotional fund fees	1,750,856	1,652,205	1,548,523
Rebate revenue	772,431	794,049	716,364
Other revenue	-	55,768	35,913
Total revenue	<u>\$ 5,574,452</u>	<u>\$ 5,297,891</u>	<u>\$ 4,870,317</u>

The Company's various sources of revenues and cash flows are generally affected by the economy, with the Company doing better when the economy is growing, and supplies and labor are more easily accessible. Franchise agreement fees occur periodically, and cash flows are dependent on when franchise agreements are signed. Royalties, national marketing, and promotional fund fees are dependent on gross revenue of restaurants and cash flows occur on a weekly basis. Rebate revenue is dependent on restaurant purchases and rebates are typically collected on a quarterly basis.

Contract assets consist of deferred expense resulting from commission amounts incurred when the franchise rights are sold. The Company classifies these contract assets as deferred commissions in the consolidated balance sheets. Substantially all current portions of contract assets as shown on the consolidated balance sheets were recognized in the subsequent year. The following table reflects contract asset and trade accounts receivable balances.

December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred commissions	<u>\$ 127,817</u>	<u>\$ 100,534</u>	<u>\$ 79,932</u>	<u>\$ 86,574</u>
Trade accounts receivable	<u>\$ 313,829</u>	<u>\$ 442,346</u>	<u>\$ 523,882</u>	<u>\$ 243,578</u>

Substantially all trade accounts receivable balances were collected in the subsequent year.

Contract liabilities consist of deferred revenue resulting from franchise fees paid by franchise owners, of which a portion of the fee is recognized on a straight-line basis over the term of the underlying franchise agreement. Contract liabilities also consist of advances from supplier rebate agreements, which are recognized over the course of the supplier agreements as product is purchased from the suppliers. The revenue from this advance is recognized in rebate revenue above. The Company classifies these contract liabilities as deferred franchise fees and unearned vendor funding in the consolidated balance sheets. Substantially all current portions of contract liabilities as shown on the consolidated balance sheets were recognized in the subsequent year. The following table reflects contract liability balances.

December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred franchise fees	<u>\$ 324,219</u>	<u>\$ 278,533</u>	<u>\$ 238,342</u>	<u>\$ 273,425</u>
Unearned vendor funding	<u>372,055</u>	<u>418,197</u>	<u>499,556</u>	<u>539,778</u>
Total contract liabilities	<u>\$ 696,274</u>	<u>\$ 696,730</u>	<u>\$ 737,898</u>	<u>\$ 813,203</u>

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements Years Ended December 31, 2023, 2022, and 2021

6. Employee Benefits

Tri 3 has a 401(k) plan for the benefit of all Company employees who are eligible to participate in the plan, as well as employees of entities that are under common control. Employees are eligible to participate in the plan on the first day of the quarter after three consecutive months of eligible service. Participants may elect to defer an amount of their eligible compensation, not to exceed Internal Revenue Service limits, to be contributed to the plan. Tri 3 contributes a matching contribution of up to \$0.50 of every dollar deferred up to 5% of the participant's annual income and the Company reimburses Tri 3 for this payment. The Company reimbursed Tri 3 for employer contributions to the plan of \$19,805, \$19,003, and \$12,273 for the years ended December 31, 2023, 2022, and 2021, respectively.

7. Restatement of Consolidated Financial Statements

The Company has restated its previously issued consolidated financial statements for 2021, to correctly record a noncash distribution. On December 31, 2021, the net assets of S&P Air, LLC (\$233,000) were transferred to Mr. Goodcents Leasing, Inc. (Leasing), a commonly controlled entity, for no consideration from Leasing. As a result of this transaction, the Company recorded a stockholder receivable on December 31, 2021, before restatement. During 2022, the Company determined that this transfer of net assets was a noncash distribution rather than a stockholder receivable based upon the intent of the stockholder. Accordingly, the Company restated its consolidated balance sheet at December 31, 2021. The restatement has no effect on the results of the current year's activities or the 2021 consolidated statement of income; however, the cumulative effect decreases beginning retained earnings by \$233,000 and removes the long-term receivable at December 31, 2021.

8. Lease Obligations

The determination of whether an arrangement is a lease is made at the lease's inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract change.

Operating leases are included in operating lease right-of-use (ROU) assets, current maturities of long-term operating lease liabilities, and long-term operating lease liabilities, less current maturities.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Operating lease ROU assets exclude any lease incentives. None of the Company's lease agreements contain any material residual value guarantees. The Company has applied the combining lease and non-lease components practical expedient which allows the Company to account for the lease and non-lease components as a single amount. The lease practical expedients for combining lease and non-lease components. The Company has also applied the risk-free discount rate practical expedient which allows the Company to use a rate that is determined using a period comparable to the lease term, as the discount rate for the lease.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
Years Ended December 31, 2023, 2022, and 2021

8. Lease Obligations (continued)

The Company has three operating leases for office equipment, which include maintenance as a nonlease component on the equipment. The maturities of the lease liabilities as of December 31, 2023 are as follows:

Years ending December 31,		
2024	\$	12,552
2025		12,552
2026		<u>4,184</u>
Total lease payments		29,288
Less: interest		<u>(411)</u>
Total future lease payments	\$	<u><u>28,877</u></u>

On December 31, 2023 and 2022, the office equipment leases had a weighted average remaining lease term of 2.29 and 3.29 years, respectively, and the weighted average discount rate of 1.26% for both years. The operating lease expense was \$17,140, \$14,981, and \$14,914 for the years ended December 31, 2023, 2022, and 2021, respectively and is included in the consolidated statements of income and retained earnings (deficit) as facility expense.

The Company also has an operating lease for office space with DeSoto, a commonly controlled entity, as discussed in Note 4. The Company's lease agreement with DeSoto is a year-to-year lease beginning on January 1, 2022. The Company has applied the short-term practical expedient which allows the Company to recognize the lease payments in expense on a straight-line basis and not recognize an amount for this lease in ROU assets or operating lease liability. The short-term operating lease expense was \$307,320 and \$320,000 for the years ended December 31, 2023 and 2022, respectively, and is included in the consolidated statements of income and retained earnings (deficit) as facility expense.

9. Franchise Ownership

The following table reflects the changes in operating franchises during the years ended December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating franchises, beginning of year	65	63	61
Newly established franchises	3	3	2
Terminated franchises	<u>(4)</u>	<u>(1)</u>	<u>-</u>
Operating franchises, end of year	<u><u>64</u></u>	<u><u>65</u></u>	<u><u>63</u></u>

In addition to the operating franchises listed above, there is one location that is owned and operated by Mr. Goodcents, Inc., a commonly controlled entity of the Company. See Note 4 for additional information.

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
Years Ended December 31, 2023, 2022, and 2021

10. Reclassifications

Certain accounts in the 2022 and 2021 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

11. Subsequent Events

Management has evaluated subsequent events through March 4, 2024, the date which the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

Segmented Consolidated Statements of Operations
Years Ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchise operations			
Franchise operations revenue	\$ 3,823,596	\$ 3,645,686	\$ 3,321,794
Franchise operations expenses:			
Salaries and professional fees	2,041,323	2,060,173	1,661,042
Travel, meals, entertainment, and business meetings	248,396	334,730	133,513
Operating expense	744,107	720,591	638,466
Facility expense	648,948	561,669	539,745
Franchise operations expenses	<u>3,682,774</u>	<u>3,677,163</u>	<u>2,972,766</u>
Financial income (expense):			
Franchise operations			
Interest expense	(29,812)	(7,132)	(8,018)
Interest income	308	85	29
Financial expenses	<u>(29,504)</u>	<u>(7,047)</u>	<u>(7,989)</u>
Franchise operations income (loss)	<u>111,318</u>	<u>(38,524)</u>	<u>341,039</u>
 National marketing and promotional fund			
National marketing and promotional fund revenue	<u>1,750,856</u>	<u>1,652,205</u>	<u>1,548,523</u>
National marketing and promotional fund expenses:			
Solicitation of franchisees			
Media placement	123,769	175,142	256,228
Administration	286,302	257,597	203,618
Marketing/promotional expenses			
Production	25,502	25,071	163,547
Media placement	910,967	655,099	491,612
Administration	316,686	264,140	232,878
Research and development	113,882	146,816	193,674
National marketing and promotional fund expenses	<u>1,777,108</u>	<u>1,523,865</u>	<u>1,541,557</u>
National marketing and promotional fund (loss) income	<u>(26,252)</u>	<u>128,340</u>	<u>6,966</u>
 Net income			
Other income	2,233	10,506	5,619
Gain (loss) on disposal of equipment	-	42,485	(6,807)
Franchise operations income (loss)	111,318	(38,524)	341,039
National marketing and promotional fund (loss) income	<u>(26,252)</u>	<u>128,340</u>	<u>6,966</u>
Net income	<u>\$ 87,299</u>	<u>\$ 142,807</u>	<u>\$ 346,817</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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MR. GOODCENTS FRANCHISE SYSTEMS, INC. AND SUBSIDIARY

National Marketing and Promotional Fund Percentages
Years Ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Percentage of total national marketing and promotional fund expenses			
Solicitation of franchisees			
Accounts payable:	7.0%	11.5%	16.6%
Trade	16.1%	16.9%	13.2%
Marketing/promotional expenses			
Production	1.4%	1.7%	10.6%
Media placement	51.3%	43.0%	31.9%
Administration	17.8%	17.3%	15.1%
Research and development	<u>6.4%</u>	<u>9.6%</u>	<u>12.6%</u>
 Total percentage	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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EXHIBIT B

AREA REPRESENTATIVE FRANCHISE AGREEMENT



AREA REPRESENTATIVE FRANCHISE
AGREEMENT

Area Representative

Date of Agreement

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AREA REPRESENTATIVE FRANCHISE AGREEMENT

THIS AREA REPRESENTATIVE FRANCHISE AGREEMENT (the “Agreement”) is made and entered into this ____ day of _____, 20____, (the “Effective Date”), by and between MR. GOODCENTS FRANCHISE SYSTEMS, INC., a Kansas Corporation (“Company”, “we”, “us” , “our” or “GOODCENTS”), and _____ a corporation/limited liability company/partnership (Circle One) (referred to as “Representative,” “Area Representative,” “you” or “your”), with reference to the following facts:

RECITALS

- A. As a result of the expenditure of time, skill, effort, and funds, we have developed and own a unique system (hereinafter the “GOODCENTS SYSTEM” or “SYSTEM”) relating to the establishment, development, and operation of GOODCENTS FRESH DELI RESTAURANTS (“GOODCENTS RESTAURANT(S)” or “Restaurant(s)”) selling sandwiches, pasta, and other food related items for the individual retail customer.
- B. We have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating GOODCENTS franchises, including “GOODCENTS”, and we may create, use, and license other trademarks, service marks and commercial symbols for use in operating Franchise operations. (collectively, the “Marks”).
- C. We offer prospective Franchise operation owner(s) (“Prospective Franchisee(s)”) the right to own and operate a Franchise operation offering the products and services we authorize (and only the products and services we authorize) using our business formats, methods, systems, procedures, signs, designs and layouts, standards, specifications, and Marks, all of which we may improve, further develop, and otherwise modify from time to time (collectively, the “System”).
- D. We also offer persons or legal entities the opportunity to become Area Representatives with the right to own and operate a Development Area in which to solicit, help qualify, train, and assist unit Franchise owners in opening and operating franchised unit operations within a defined geographic development area (a “Development Area”).
- E. You desire to operate an Area Representative business (an “AR Business”) under which you will solicit, qualify, train, and assist unit Franchised operations within the Area set forth in Exhibit C per the schedule set forth in Exhibit D.
- F. We desire to grant to you the right to operate an AR Business in accordance with the terms and upon the conditions contained in this Agreement.

WHEREFORE, IT IS AGREED:

1. GRANT OF RIGHTS.

Subject to the terms of this Agreement, we hereby grant to you an Area Representative license, and you hereby accept the rights during the Term to solicit, qualify for final approval by us, train, and assist Franchisees to open and operate Franchise operations on an ongoing basis in the Development Area set forth in Exhibit C.

2. DEVELOPMENT OBLIGATION.

2.1 Minimum Development Obligations.

(a) You shall assist to construct, equip, open and operate, and solicit, screen, qualify, train, and assist Prospective Franchisees to construct, equip, open and operate, within the Development Area, not fewer than the cumulative number of Franchise operations set forth in Exhibit D, in the manner and within each of the time periods (the “AR Development Period”) specified therein (the “AR Minimum Development Obligation”).

(b) Each Franchised unit operation shall be the subject of a separate Franchise Agreement (as defined herein). We and the owner of a Franchise operation (“Franchise operation”) shall enter into our then-current form of franchise agreement (the “Franchise Agreement”);

(c) Unit Franchises that are the subject of a Franchise Agreement executed pursuant hereto, whether by you or by a separate Franchisee operation, shall be counted in determining whether the Minimum Development Obligation shall have been met within the applicable Development Periods.

(d) Any existing GOODCENTS units in the Development Area at the time of the signing of this agreement, shall be your responsibility with respect to the overseeing and monitoring in accordance with the GOODCENTS manuals and system of said existing unit operation as well as newly developed operations. Fees received by you from existing units shall be set forth in Section 8.1(e) of this Agreement.

(e) You will comply with all Federal rules, regulations, and guidelines regarding presale disclosure of franchises and where applicable state rules, regulations, and guidelines regarding presale disclosure of franchises.

2.2 Representative Sales Office.

You are not required to establish a brick-and-mortar sales office (“Representative Sales Office” or “Sales Office”) within the Development Area. We will not approve or disapprove the location of your Sales Office. A virtual office or a home office may accommodate your business needs as long as you maintain a standard business area and present a professional appearance.

3. REPRESENTATIVE RIGHTS.

3.1 Area Representative Rights.

Except as provided in Section 3.2, as long as this Agreement is in effect, and you are in compliance with this Agreement, and you meet the Minimum Development Obligations set forth in this Agreement, then we or our affiliates will not operate, establish, or grant your Development Area to offer any rights in operations to any GOODCENTS franchise.

3.2 Failure of Representative to meet the Minimum Development Obligation.

In the event you fail to comply with the development schedule as set forth in Exhibit D described herein, we may at our discretion terminate this agreement or you may lose the exclusive rights granted herein; provided, however, that this agreement remain in full force and effect as to those GOODCENTS facilities already operating or contracted by franchise agreement or lease or otherwise as of the date of the default, including, without limitation, the rights to receive royalty and advertising fees subject to strict compliance with all of the support and service obligations of yours contained herein, the operations manual and any amendments hereto. With regard to this provision, you shall have ninety (90) days to cure the default in regard to the development schedule to re-obtain your exclusive rights but shall continue to have the right to develop and operate new Franchises.

3.3 Rights Maintained by Company.

We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we desire, including, but not limited to, the right to:

(a) establish and operate Franchise operations and Area Representative Franchises, and grant the right to other persons to establish and operate Franchise operations or Area Representative Franchises, on any terms and conditions we deem appropriate and at any locations other than in your Development Area;

(b) if you are an Area Representative Franchise, to help establish Franchise operations and grant rights to other persons to solicit, qualify, train and assist Franchise operations, on any terms and conditions we deem appropriate and at any locations within the Development Area, provided however, that you will be entitled to your share of the Initial Commissions and any other Fees, as set forth more specifically in Section 8 of this Agreement;

(c) provide and grant rights to other persons to provide, goods and services similar to and/or competitive with those provided by Franchise operations to customers located within a Development Area, whether identified by the Marks or other trademarks or service marks, through any distribution channel other than Franchise operations located within a Development Area (including, but not limited to, sales of products via mail order, catalogs, grocery and convenience stores toll free telephone numbers and electronic means including the Internet);

(d) provide and grant rights to other persons to provide, goods and services dissimilar to and/or not competitive with those provided by Franchise operations to customers located within a Development Area;

(e) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at Franchise operations, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within a Development Area);

(f) be acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Franchise operations, or by another business, even if such business operates, franchises and/or licenses competitive businesses within a Development Area; and

(g) provide or offer GOODCENTS products and services to customers within or outside of a Development Area through GOODCENTS' affiliates or dealers of GOODCENTS products and services.

4. TERM.

The initial term of this Agreement (the "Term") shall be for a period of five (5) years commencing on the Effective Date, unless sooner terminated in accordance with the provisions of Section 13. You shall have the right to renew the Agreement for one (1) additional period of five (5) years if (i) you have substantially complied with the Minimum Development Obligation, and all of the other provisions of this Agreement during the Term; (ii) you must provide us with written "Notice of Intent to Renew", at least one-hundred and eighty (180) days prior to the expiration of this agreement; (iii) you and all of your owners and your spouse's sign our general release form; (iv) we and you mutually agree on a new minimum or other development obligations for the Development Area for the extension period; (v) you agree to sign the "General Release" as set forth in Exhibit "I" attached hereto and (vi) you sign the then-current form of the Area Representative Franchise Agreement. Under the general release, you and your owners and your spouses will waive any and all claims against us, our affiliates, and our and their owners, officers, directors, employees, agents, successors, and assigns.

A notice of nonrenewal by us shall state the reasons for our refusal to renew, and may include, without limitation, your failure to comply with the terms and conditions of this Agreement even if you have subsequently cured the breaches of this Agreement. A notice of nonrenewal for the reason of your substantial default of this Agreement on three or more occasions during the term of this Agreement cannot be cured and you may be prohibited from renewing the Area Representative Franchise Agreement at our discretion.

If the reasons cited by us for your nonrenewal are rectified and cured within 30 days of our notice of nonrenewal, then the nonrenewal is not effective and you are allowed to renew in compliance with the terms of this Agreement. Provided that if the reasons for nonrenewal include your insolvency, or the occurrence of an assignment for the benefit of creditors by you or your filing of a petition in bankruptcy, then the nonrenewal is effective upon delivery of our notice of nonrenewal.

5. OBLIGATIONS OF COMPANY AND REPRESENTATIVE.

5.1 Area and Unit Production.

We will assist you in the determination of the area which you will operate as our area representative and the number of units which you will be obligated to develop during the term of the agreement.

5.2 Representative Training.

Pursuant to the terms of this Area Representative Franchise Agreement we or our designee will provide training to you on the operation of an Area Representative Business. This training program may include classroom training and/or hands-on training and will be conducted at our corporate headquarters, at Franchise operation locations designated by us, and/or at any other location(s) we designate.

You must complete the initial training to our satisfaction and participate in all other activities we require before soliciting prospective franchisees in the Development Area. We may charge reasonable fees for these training courses, and you are responsible for all travel and living expenses for which you and your attendees incur.

You must attend and successfully complete the training program for operators of GOODCENTS businesses.

If we determine that you cannot complete initial training to our satisfaction, we may, in our sole discretion, either (1) require you to attend additional training at your expense (for which we may charge reasonable fees) or (2) terminate this Agreement.

You shall participate in periodic webinars and sales calls scheduled by us for Area Representative Franchises and attend a national business meeting or convention each year. We may also require you to attend additional or refresher training courses each year. We may charge reasonable fees for these courses, conventions, webinars, sales calls, and programs. You are responsible for all travel and living expenses.

5.3 Area Representative and Operations Training Content.

GOODCENTS provides you access to GOODCENTS University, an online training portal, during the term of the franchise agreement. GOODCENTS University consists of operation manuals, training videos, and other materials related to operations.

The operations manuals contain mandatory and suggested specifications, standards and operating procedures prescribed by GOODCENTS for GOODCENTS RESTAURANTS and information relative to your other obligations. GOODCENTS has the right to modify the operations manuals at any time to reflect the changes in the system, products, services, specifications, standards and operating procedures, including marketing techniques, or a GOODCENTS RESTAURANT. You must stay current on the operations manuals.

GOODCENTS at its principal office controls if there is a dispute relative to the contents of the operations manuals.

5.4 General Guidance.

We will provide guidance to you in the Manuals and other bulletins or other written materials, by electronic media, and/or by telephone consultation. If you request and we agree to provide additional or special guidance, assistance or training, you must pay our then applicable charges, including our personnel's per diem charges and any travel and living expenses.

5.5 Franchise Registration and Disclosure.

Neither you nor any representative of yours shall solicit prospective franchisees of for Franchise operations, (1) until we have registered our current Franchise Disclosure Document in applicable jurisdictions in the Development Area and have provided you with the requisite documents or (2) at any time when we notify you that our registration is not then in effect or our documents are not then in compliance with applicable law. If your activities pursuant to this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, then all requisite disclosure documents, ancillary documents, and registration applications shall be prepared and filed by us or our designee, and registration secured, before you may solicit prospective franchisees for Franchise operations. Costs of such registration applicable to you shall be borne by you. You shall:

(a) prepare and forward to us verified financial statements of yours in such form and for such periods as shall be designated by us, including audited financial statements, if necessary and appropriate to comply with applicable legal disclosure, filing or other legal requirements;

(b) promptly provide all information reasonably required by us to prepare all requisite disclosure documents and ancillary documents for the offering of franchises throughout the Development Area; and

(c) execute all documents required by us for the purpose of registering you and us to offer franchises throughout the Development Area.

You agree to review all information pertaining to you that is prepared to comply with legal requirements for selling franchises in the Development Area and verify its accuracy if so requested by us. You acknowledge that we and our affiliates and designees shall not be liable to you for any errors, omissions or delays which occur in the preparation of such materials.

5.6 Investigation and Qualification of Prospective Franchisees.

(a) Each Franchised operation opened pursuant to this Agreement shall be the subject of a separate Franchise Agreement with us, upon our then-current form. You shall have no right to modify or offer to modify any Franchise Agreement or other contract.

(b) You shall investigate the qualifications of each prospective franchisee and the suitability of each prospective Franchise operation location in the Development Area in accordance with our standards, policies and procedures relating to qualification of Franchise operations then in effect and shall obtain all information required of prospective franchisees by us.

(c) After you are satisfied that a prospective franchisee meets the standards established by us, you may recommend to us the approval of such prospective franchisee. You shall then furnish to us all information relating to the prospective franchisee which shall be required by us in the form and manner customarily required by us.

(d) We may thereafter conduct or obtain such credit reports and background checks on

prospective franchisees as we deem necessary or convenient. We may then approve or disapprove a prospective franchisee for any reason and may seek further information with respect to the prospective franchisee. You shall cooperate with us in any further investigation of the prospective franchisee.

(e) You shall deliver to us a copy of all correspondence with Franchisees that is material to the franchise relationship, as soon as it is sent or received by you.

5.7 Training and Support by Area Representative.

You agree to implement any training programs developed by us for Franchise operations and to provide such assistance and services as we shall reasonably request and require from time to time in connection with (1) the construction, equipping and opening of Franchise operations established by you within the Development Area, (2) the sourcing of equipment, fixtures, furnishings, inventory and supplies for Franchise operations, (3) the advertising and promotion of Franchise operations, and (4) the supervision and compliance of our standards of operations, including compliance with the use of the Marks at the Franchise operations. All services and assistance provided to Franchise operations in connection with the operation of Franchise units located in the Development Area, and which are established by you, will be provided by you and such obligations of yours will not be transferred, delegated, or subcontracted to any other person.

5.8 Inspection of Franchise Operations and Operations.

You shall conduct routine telephonic and store visit assessments of each Unit Franchise within your territory and shall also conduct monthly physical inspections of all Franchise operations in the Development Area and the review of the operations of all Franchise operations in the Development Area, in accordance with the standards from time to time established by us. You shall provide reports to us with respect to the findings of such assessments and inspections, in such form and at such time as we shall require.

5.9 Marketing and Promotion.

You shall participate in all promotion and marketing activities required by us of our Representatives.

5.10 Identification of Suppliers.

You agree to cooperate with us to identify suppliers to deliver GOODCENTS products to Franchise operation customers within the Development Area, if requested.

6. OPERATING STANDARDS.

6.1 Standard of Service.

You shall at all times give prompt, courteous and efficient service to Franchise operations in the Development Area. You shall, in all dealings with Franchise operations, prospective franchisees and the public, adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct.

6.2 Compliance with Laws and Good Business Practices.

You shall secure and maintain in force all required licenses, permits and certificates relating to your activities under this Agreement and operate in full compliance with all applicable laws, ordinances, and regulations. You acknowledge being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, and termination of, and continuing relationship between parties to a franchise agreement, including, without limitation, laws concerning disclosure requirements. You agree promptly to become aware of, and to comply with, all such laws and legal requirements in force in the Development Area and to utilize only disclosure documents that we have approved for use in the applicable jurisdiction. You acknowledge and agree that we will not bear any liability or responsibility, nor will we refund any fees paid by you to us, if you realize after the signature of the Area Representative Franchise Agreement that you are

unable to open for business or operate after opening because of your failure to comply with local, state, or federal laws or regulations.

6.3 Accuracy of Information.

Before you solicit any prospective franchisee, you shall each time take reasonable steps to confirm that the information contained in any written materials, agreements and other documents related to the offer or sale of franchises is true, correct and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to, or in violation of, any applicable state law related to the registration of the franchise offering. We shall provide you with any changes to our disclosure documents and other agreements on a timely basis and, upon request, provide you with confirmation that the information contained in any written materials, agreements or documents being used by you are true, correct and not misleading. If you notify us of an error in any information in our documents, we shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations, or omissions in such information.

6.4 Notification of Litigation.

You shall notify us in writing within two (2) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award and decree, by any court agency or other governmental instrumentality, which names you or any of your owners or otherwise concerns the operation or financial condition of yourself, the Development Business, or any Franchise operation.

6.5 Insurance.

You shall at all times during the term of this Agreement maintain in force, at your sole expense, insurance for the Development Business of the types, in the amounts and with such terms and conditions as we may from time to time prescribe in the Manuals or otherwise. All of the required insurance policies shall name us and affiliates designated by us as additional insureds, contain a waiver of the insurance company's right of subrogation against us and the designated affiliates, and provide that we will receive thirty (30) days' prior written notice of termination, expiration, cancellation, or modification of any such policy.

6.6 Proof of Insurance Coverage.

You will provide proof of insurance to us before beginning operations of your AR Business. This proof will show that the insurer has been authorized to inform us in the event any policies lapse or are cancelled or modified. We have the right to change the types, amount, and terms of insurance that you are required to maintain by giving you prior reasonable notice. Noncompliance with these insurance provisions shall be deemed a material breach of this Agreement, and in the event of any lapse in insurance coverage, we shall have the right, in addition to all other remedies, to demand that you cease operations of your Development Business until coverage is reinstated or, in the alternative, to pay any delinquencies in premium payments and charge the same back to you.

6.7 Marketing Plan and Local Advertising.

We have the option to require you to market to establish new GOODCENTS units in your area of development.

We are not required to advertise on your behalf, in your exclusive area, but we will provide you with marketing materials and information to help you develop your area. You may use your own marketing materials, as long as we have approved them at least 14 days in advance of their use. You must advertise as set forth in the Manuals, utilizing the Company's standard forms of listing and classified advertisement.

We will provide marketing services to GOODCENTS unit operations in your area of development which will enhance your presence and public knowledge about the business unit operations which you are

developing.

There is no advertising council, but GOODCENTS units in your exclusive area are required to market which will enhance your presence.

6.8 Approval of advertising.

Prior to their use by you, samples of all advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval, which approval shall not be unreasonably withheld. You shall not use any advertising or promotional materials that we have not approved or have disapproved. You acknowledge and understand that certain states require the filing of franchise sales advertising materials with the appropriate state agency prior to dissemination. You agree fully and timely to comply with such filing requirements at your own expense unless such advertising has been previously filed with the state by us.

6.9 Websites and Social Media Marketing.

As used in this Agreement, the term “Website” means an interactive electronic document contained in a network of computers linked by communications software that refers to Franchise operations or Area Representative Franchises or the Marks. The term “Website” includes, but is not limited to, Internet and World Wide Web pages and other on-line services such as Linked In, Facebook, Twitter, and other social media services as may from time to time be available to communicate in connection with any electronic media including websites and social media sites, you agree to the following:

(a) You shall not establish a separate Website or engage a social media service without our prior written consent. We shall have the right, but not the obligation, to designate one or more web page(s) or social media service to describe you, such web pages(s) to be located within our Website; and

(b) If we approve, in writing, a separate Website or allow a social media presence for you, then each of the following provisions shall apply:

- 1) Before establishing the Website, or engaging the social media service you shall submit to us, for our prior written approval, a sample of the proposed Website domain name, format, visible content (including, but not limited to, proposed screen shots), and non-visible content (including, but not limited to, meta tags) in the form and manner we may reasonably require, and You shall not use or modify such Websites without our prior written approval as to such proposed use or modification. Social media sites and social media marketing will be approved in advance.
- 2) In addition to any other applicable requirements, you shall comply with our standards and specifications for Websites as we prescribe from time to time in the Manuals or otherwise in writing.
- 3) If we require, you shall establish such hyperlinks to our Website and others we may request in writing.
- 4) We may revoke our approval at any time, in writing, and require that you discontinue use of a separate Website and/or social media site immediately.

6.10 Accounting, Bookkeeping and Records.

You shall maintain at your business premises in the Development Area all original invoices, receipts, checks, contracts, licenses, acknowledgement of receipt forms, and bookkeeping and business records we require from time to time. You shall furnish to us, within ninety (90) days after the end of your fiscal year, a balance sheet and profit and loss statement (audited by a CPA, if requested by us) for the Development Business for such year (or a monthly or quarterly statement if required by us, in which case such statements also shall reflect year-to-date information). In addition, upon our request, within ten (10) days after such returns are filed, exact copies of federal and state income, sales and any other tax returns and such other

forms, records, books, and other information as we periodically require regarding the Development Business, shall be furnished to us. You shall maintain all records and reports of the business conducted pursuant to this Agreement for at least five (5) years after the date of termination or expiration of this Agreement.

6.11 Reports.

You shall, as often as required by us, deliver to us a written report of your Development Business activities in such form and detail as we may from time to time specify, including information about efforts to solicit prospective franchisees, the status of pending real estate transactions and the status of Franchises.

7. AREA REPRESENTATIVE FEE.

You shall pay to us a non-refundable “Area Representative Fee” of \$10,000 per unit for the area to be developed, payable upon execution of this Agreement. If we require you to acquire an in-depth demographic analysis of the Development Area, you shall also purchase the demographic analysis from us or our designated supplier for the then-applicable fee.

8. PAYMENTS TO REPRESENTATIVE.

8.1 Area Representative.

(a) **Initial Net Fee Commission and Conditions of Payment.** Except as provided below, during the term of this Agreement, you shall be paid a commission, as set forth in this Section, based on a percentage of initial net franchise fees paid by each Franchisee for each franchise operation which shall be established in the Development Area (the “Initial Net Fee Commission”), subject to fulfillment of the following conditions: (a) the Franchise operation executes a Franchise Agreement with us and an initial net franchise fee has been paid to, and actually received by, us (we shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us); and (b) you have complied with all of your other obligations under this Agreement with respect to such sale and have verified the same to us in writing in a form prescribed by us. The Initial Net Fee Commission shall be an amount equal to fifty percent (50%) of the total initial net franchise fees paid to us minus any broker’s fees or sales commissions, if any, and will be payable to you on the fifth (5th) day of the second month following the month when the conditions of this Section 8.1 have been fulfilled.

(b) **Commissions on Royalty Fees.** Except as provided below, you will receive a fee equal to 33.33% of the continuing royalty fees paid by the Franchise operations in your Representative Area for restaurants that you establish in your Development Area. Commissions earned pursuant to this section will be payable to you by the fifth (5th) day of the second month following the month when the conditions of this section have been fulfilled. Notwithstanding the foregoing, if you have failed to conduct the periodic inspections and assessments described in Section 5.8 or failed to perform in any material aspect, with respect to one or more Franchise operation located in the Development Area for which the you are responsible, or the other services described in Section 5 to be provided to Franchise operations located in the Development Area during any applicable month, then you shall not be entitled to receive commissions on Royalty Fees with respect to such Franchise operations for the period during which reports or services were not provided.

(c) If you purchase a Development Area which already has existing and operating GOODCENTS units, the commission to you from the royalty fees shall be 20.0% of the royalties paid by the established units.

You agree that if you are declared to be in default by us, that during the period of default and until such default are cured, we may withhold funds due to you. You further agree that in the event of default of one of the restaurant units under your supervision, that we may withhold funds due to you that have been generated by the defaulting restaurant operation until the default has been cured.

8.2 Commissions after Termination.

All payments under this Section 8 shall immediately and permanently cease after the expiration or termination of this Agreement, although you shall receive all amounts which have accrued to you as of the effective date of expiration or termination.

8.3 Application of Payments.

Our payments to you shall be based on amounts actually collected from Franchise operations, not on payments accrued, due or owing. In the event of termination of a Franchise Agreement for a Franchise operation within the Development Area, we shall apply any payments received from a Franchise operation to pay past due indebtedness of that Franchise operation for Royalty Fees, advertising contributions, purchases from us or our affiliates, interest or any other operation's overdue Royalty Fee payments, you shall be entitled to your pro rata share of such payments, less the pro rata share of the costs of collection paid to third parties.

8.4 Setoffs.

You shall not be allowed to set off amounts owed to us for fees or other amounts due under this Agreement against any monies owed to you by us, which right to set off, is hereby expressly waived by you. We shall be allowed to set off against amounts owed to you for commissions, Royalty Fees, or other amounts due under this Agreement any monies owed to us by you.

9. MARKS.

9.1 Ownership and Goodwill of Marks.

Your right to use the Marks is derived only from this Agreement and is limited to your operation of your AR Business. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate a Development Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we authorize you to use.

9.2 Limitations on Your Use of Marks.

You may not use any Mark: (1) as part of any corporate or legal business name; (2) with any prefix, suffix or other modifying words, terms, designs, symbols other than logos we have licensed to you; (3) in selling any unauthorized services or products; (4) as part of any domain name, electronic address, or search engine, without our consent; or (5) in any other manner we have not expressly authorized in writing. you may not use any Mark in advertising the transfer, sale, or other disposition of your business under this Agreement or an ownership interest in you (if a corporation, partnership, limited liability company or another business entity holds the franchise at any time during this Agreement's term) without our prior written consent.

9.3 Notification of Infringements and Claims.

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

9.4 Discontinuance of Use of Marks.

If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within ninety (90) days after receiving notice. We need not reimburse you for your expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Mark, or for your expenses in promoting a modified or substitute trademark or service mark.

9.5 Indemnification for Use of Marks.

We agree to indemnify and reimburse you against and for all damages for which you are held liable in any trademark infringement proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with this Agreement. At our option, we may defend and control the defense of any proceeding relating to any Mark.

10. CONFIDENTIAL INFORMATION.

We possess (and may continue to develop and acquire) certain confidential information relating to the development and operation of Franchise operations and Area Representative operations (the “Confidential Information”), which includes (without limitation):

- (a) site selection criteria;
- (b) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Franchise operations and Area Representative operations;
- (c) marketing research and promotional, marketing and advertising programs for Unit Franchises and Area Representative operations;
- (d) knowledge of specifications for and suppliers of, and methods of ordering, certain operating assets and products that Unit Franchises and Area Representative operations use;
- (e) knowledge of the operating results and financial performance of Franchise operations and Area Representative operations;
- (f) customer communication and retention programs, along with data used or generated in connection with those programs; graphic designs and related intellectual property;
- (g) information generated by or used or developed in the operation of Franchise operations and Area Representative operations, including customer names, addresses, telephone numbers and related information; and
- (h) any other information designated confidential or proprietary by us.
- (i) You acknowledge and agree that by entering into this Agreement, you will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in accordance with this Agreement, and that your use of any Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. You further acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, that you:

- (1) will not use any Confidential Information in any other business or capacity;

(2) will keep the Confidential Information absolutely confidential during and after this Agreement's term;

(3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

(4) will adopt and implement all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation: (i) restricting its disclosure to your personnel and Franchise operations needing to know such Confidential Information in order to develop and operate the Franchise operations; and (ii) requiring those having access to Confidential Information to sign confidentiality and non-disclosure agreements. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights; and

(5) will not sell trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

(6) will sign a Confidentiality Agreement and Ancillary Covenants Not to Compete Agreement (Schedule A).

All ideas, concepts, techniques, or materials relating to a Franchise operation or Area Representative Franchise, whether or not protectable intellectual property and whether created by or for you or your employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this paragraph, you assign ownership of that item, and all related rights to that item, to us and agree to sign whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

"Confidential Information" does not include information, knowledge or know-how which is or becomes generally known in business consulting industry or which you knew from previous business experience before we provided it to you (directly or indirectly) or before you attended our initial training program. If we include any material in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

(j) Representative's Employees. All personnel performing managerial or supervisory functions, all personnel receiving special training and instruction and all persons employed by you having access to any confidential information, knowledge or know-how concerning the GOODCENTS SYSTEM shall execute a Non-Competition and Non-Disclosure Agreement, provided by us, pursuant to which such personnel shall agree not to work for any competitor of ours or another Representative of ours during the period of their employment and one (1) year thereafter within 100 miles of your designated territory or any other GOODCENTS business address, unless approved in writing by us, and they further agree not to disclose any of the confidential information, knowledge or know-how concerning the GOODCENTS SYSTEM which may be disclosed to them, or of which they learn or otherwise obtain during their employment with you. Nor will you interfere with us or our affiliate's employees or agents in the performance of their duties, nor seek to employ them in any manner without our written permission for a period of two (2) years following their separation.

11. ASSIGNABILITY.

11.1 Assignability by Company.

(a) We shall have the right, but not the obligation, to cause a subsidiary or affiliate of ours to perform any or all of our obligations and exercise any or all of our rights under this Agreement and under any Franchise Agreement, and to require you to perform any or all of your obligations hereunder, in favor or such subsidiary or affiliate, by delivery of written notice thereof to you.

(b) We shall have the right to assign this Agreement, or any of our rights and privileges under this Agreement to any other person, firm or corporation without your prior consent and we shall not be liable for any obligations accruing under this Agreement after the effective date of such assignment; provided the assignee shall expressly assume and agree to perform our obligations under this Agreement and is reasonably capable of performing them.

11.2 Assignments by Representative.

(a) We have entered into this Agreement in reliance upon and in consideration of the singular personal skills, character, aptitude, business ability, financial capacity and qualifications of you and the trust and confidence reposed in you or, in the case of a business entity your owners. Therefore, neither your interest in this Agreement nor any of its rights or privileges hereunder shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner, without our prior written approval.

(b) Any assignment or transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term “transfer” includes any voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition and includes the following events:

(1) transfer of record or beneficial ownership of capital stock in you (if you are a corporation), a partnership or membership interest (if you are a partnership or limited liability company), or any other ownership interest or right to receive all or a portion of your profits or losses;

(2) a merger, consolidation or exchange of shares or other ownership interests, or issuance of additional ownership interest or securities representing or potentially representing shares or other ownership interests, or a redemption of shares or other ownership interests;

(3) any sale or exchange of voting interests or securities convertible to voting interests, or any agreement granting the right to exercise or control the exercise of the voting rights of any owner or to control your operations or affairs;

(4) transfer of an interest in you, this Agreement, or AR Business or its assets (or any right to receive all or a portion of your or AR Business’ profits or losses or any capital appreciation relating to the AR Business) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(5) if you or an owner (if you are a business entity) dies, transfers an interest in the AR Business, this Agreement, or the AR Business or its assets (or any right to receive all or a portion of your or the AR Business’ profits or losses or any capital appreciation relating to the AR Business) by will, declaration or transfer in trust, or under the law of intestate succession; or

(6) pledge of this Agreement (to someone other than us) or of an ownership interest in you (if you a business entity) as security, foreclosure upon the Development Area franchises, or your transfer, surrender or loss of the area development franchise possession, control, or management.

11.3 Conditions for Approval of Assignment or Transfer.

We may impose any reasonable condition(s) to the granting of our consent to such assignments. Without limiting the generality of the foregoing, the imposition by us of any or all of the following conditions to our consent to any such assignment shall be deemed to be reasonable:

(a) that the assignee (or the principal officers, shareholders, directors or general partners of the assignee in the case of a business entity assignee) demonstrates that it has the skill, qualifications and economic resources necessary, in our judgment, reasonably exercised, to own and operate the AR Business;

- (b) that you have paid all amounts owed to us;
- (c) that the assignee shall expressly assume in writing for our benefit all of your obligations under this Agreement and any other agreements proposed to be assigned to such assignee;
- (d) that neither the assignee nor its owners or affiliates operates, has an ownership interest in, or performs services for, a Competitive Business (defined in Section 12.2);
- (e) that the assignee shall have completed (or agreed to complete) our training program;
- (f) that the assignee signs our then-current form of Area Representative Franchise Agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and the term of which shall be the remaining term of this Agreement;
- (g) that as of the date of any such assignment, the assignor shall have strictly complied with all of its obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;
- (h) that the assignee is not then in default of any of the obligation to us under any agreement between such assignee and us;
- (i) that the assignor and the assignor's spouse (if any) shall sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns; and
- (j) that assignor will not directly or indirectly at any time or in any manner identify himself, herself or itself or any of assignor's business as a current or former Franchise operation or as one of our Franchise operations or Representatives, use any Mark, any colorable imitation of a Mark, or other indicia of a Franchise operation or AR Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with us.
- (k) that you as assignor, sign the Release identified as Exhibit "I" attached hereto.

You shall not in any event have the right to pledge, encumber, charge, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole subjective judgment.

11.4 Assignment to Entity Principally Controlled by Representative.

The Area Representative Franchise and its assets and liabilities may be assigned to a newly formed corporation or other legal entity that conducts no business other than the operation of the franchise and in which you and any of your principals own and control in the aggregate not less than ninety percent (90%) of the equity and voting power of all outstanding capital stock or ownership interest, provided as follows:

- (a) that the proposed transferee complies with the provisions of this Agreement;
- (b) and that you are empowered to act for said corporation or other legal entity; and
- (c) that you shall submit to us, documentation that we may reasonably request to effectuate the transfer; and
- (d) that you shall submit to us a true and complete list of the shareholders, members, or partners, showing number of shares or interests owned, and a list of the officers and directors if a corporation,

or managers if a limited liability company, or managing partners if a partnership. We shall be promptly notified of any changes in said lists; and

(e) that all certificates of shares or interests issued by transferee at any time shall be endorsed with the appropriate legend to conform with state law, referring to this Agreement by date and name of parties hereto and stating “Transfer of this Certificate is Limited by the Terms and Conditions of an Area Representative Franchise Agreement dated by and between MR. GOODCENTS FRANCHISE SYSTEMS, INC. and the name of the legal entity that the interest is being transferred to;

(f) that a copy of this Agreement shall be given to every shareholder or member;

(g) that a copy of the organizational documents and any corporate resolutions and a Certificate of Good Standing will be furnished to us at our reasonable request, and prompt notification in writing of any amendments thereto will be provided to us; and

(h) that the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to us, which notice will in its terms guarantee compliance with this Agreement. In addition, new shareholders, members, or partners must be approved by us and agree to be bound by this entire Agreement. Shareholders, members, or partners may make a separate agreement among them providing for purchase by the survivors among them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control, and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as franchisees under this Agreement. Shareholders, members, or partners must notify us in writing of any such agreement which affects control of the transferee.

11.5 Death or Disability.

(a) Upon your or an owner’s death or disability, the executor, administrator, conservator, guardian, or other personal representative must assign, sell, or transfer yours or the owner’s ownership interest in the AR Business, to a third party approved by us. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to our rights, within a reasonable time, not to exceed nine (9) months from the date of death or disability and is subject to all of the terms and conditions in this Section 11. A failure to transfer such interest within this time period is a breach of this Agreement. The term “disability” means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you from supervising the Development Area management and operation for ninety (90) or more consecutive days.

(b) If, upon your death or disability if you are an individual or an owner of more than fifty percent (50%) of the equity in the legal entity, if a trained manager who we approve, is not managing the day-to-day operations, then the executor, administrator, conservator, guardian or other personal representative must, within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint a manager whom we must approve to operate the AR Business. The manager must, at your or your estate’s expense, satisfactorily complete the training we designate within the specified time period.

11.6 Company’s Right of First Refusal.

If you determine at any time to sell or transfer an interest in this Agreement or the AR Business, or if the owners determine to sell or transfer a controlling ownership interest in business entity, then you or the owner, as applicable (the “Seller”) must obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in this Agreement and the AR Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments).

We may, by delivering written notice to the Seller within thirty (30) days after we receive both an exact copy of the offer and all other information requested, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: 1) we may substitute cash for any form or payment proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) the closing will be not less than sixty (60) days after notifying the Seller of our election to purchase or, if later, the closing date proposed in the offer; and (4) we must receive, and the Seller agrees to make, all customary representations and warranties, given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests and validity of contracts and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased. If we exercise our right of first refusal, you agree that, for two (2) years beginning on the closing date, you and members of your immediate family will be bound by the non-competition covenant contained in Section 12.2 below.

If we do not exercise our right of first refusal, you may complete the sale to the proposed buyer on the original offer's terms, subject to our approval of the transfer as provided above. If you don't complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you must let us know promptly), we will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

11.7 Ownership Structure.

You represent and warrant that all persons holding direct or indirect, legal, or beneficial ownership interest in you (collectively, the "Owners") are listed in Exhibit 3 and that your ownership structure is as set forth on Exhibit 3. In consideration of, and as an inducement to, the execution of this Agreement, each owner and their respective spouses shall personally and unconditionally sign our form "Guaranty and Acceptance of Obligations", attached as Exhibit 4, guarantying to us and our successors and assigns that the you will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and agreeing to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. You shall not change your ownership structure without complying with all of the terms and conditions of this Section 11. Within ten (10) days of any change in your ownership structure, you shall submit a revised Exhibit 3 to us, and any new owner shall sign our form Guaranty and Acceptance of Obligations.

11.8 Separate Agreements.

You agree that you will not enter into any separate agreement with any GOODCENTS Franchisee unless you obtain our written permission.

12. NON-COMPETITION.

12.1 In Term.

During the term of this Agreement, neither you, any of the principals, nor any member of your or a principal's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, controlling shareholder, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business (defined below), whether located in the United States, within or outside the Development Area, unless we shall first consent thereto in writing.

12.2 Post-Term.

For a twenty-four (24) month period following the assignment, expiration or termination of this

Agreement, for any reason whatsoever, neither you, any owner, nor any member of your or an owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any competitive business located or operating: (a) within the Development Area; (b) within the Development Area of any of our other Area Representatives, (c) within fifteen (15) miles of any Unit Franchise in operation or development on the date of assignment, expiration or termination. The term "Competitive Business" means any business which derives more than Ten Thousand Dollars (\$10,000) of revenue per year from the sale of any products or services similar to GOODCENTS' products or services, or any business which grants franchises or licenses to others to operate such a business, other than a Franchise operation operated under a franchise agreement with us.

13. TERMINATION.

13.1 Termination by Us.

(a) This Agreement may be terminated by us upon thirty (30) days prior written notice if you fail to pay any sums due us, including our advanced payments to any suppliers and payments to governmental authorities, unless you shall cure such default within said thirty (30) day period.

(b) Any purported sale, assignment, transfer or encumbrance, by you, in whole or in part, of any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement.

(c) Upon the bankruptcy or the appointment of a receiver for the assets of the Area Representative.

(d) Your failure to furnish within the time specified any report or financial statement as required under this Agreement;

(e) Your failure to operate the GOODCENTS business in compliance with the terms of this Agreement, the Operations Manuals, or any quality or operations standards or guidelines issued in writing by us from time to time.

(f) Your failure to commence operations within six (6) months of its successful completion of training;

(g) The attachment of any involuntary lien in the sum of Ten Thousand Dollars (\$10,000.00) or more upon any of the business assets or property of yours which lien is not promptly removed within ninety (90) days of said filing.;

(h) Your failure for a period of thirty (30) days after receipt of notification of non-compliance, to comply with any federal, state or local laws or regulations applicable to the operation of a GOODCENTS facility;

(i) You, or any of your principals, are convicted of a felony or any other criminal misconduct which we deem relevant to the operation of the franchised business;

(j) You fail to attempt to cure a default per our instructions, under this Agreement which materially impairs the goodwill associated with the Marks, after delivery of written notice to cure at least ninety-six (96) hours in advance thereof.

(k) If you or any of your principals discloses or divulges the contents of any confidential Franchise Operations or Policies and Procedures Manuals, or any other trade secrets or confidential information provided to you by us, contrary to the terms and conditions of this Agreement.

(l) If you abandon the GOODCENTS business in excess of seven (7) days or otherwise forfeit the right to do or transact business in the Development Area.

(m) If you fail to comply with the schedule for opening new restaurants as specified in the schedule set forth in Exhibit 2.

(n) If you violate the terms of any other Franchise Agreement with us, or if an affiliate company of yours violates the terms of any Franchise Agreement with us, or if any owner of a 10% or greater equity interest in you is an owner of a 10% or greater equity interest in a franchisee entity pursuant to a franchise agreement with us and such other franchisee violates the terms of the other franchise agreement with us.

(o) You fail to comply with the provisions set forth in Section 2.1 (e) of this agreement.

(p) You shall have 30 days to cure all violations set forth above, except those so stated in Sub-Section 13.1 Sections (i), (j), (k), (l) and (o), for which termination shall become effective immediately.

13.2 Rights and Obligations upon Termination or Expiration.

Upon the expiration of the Term, or upon the earlier termination of this Agreement, you shall have no further right to construct, equip, own, open or operate additional Franchise operations (except pursuant to a separate Franchise Agreement between you and us that is in full force and effect on the date of expiration or termination). Upon expiration or termination of this Agreement, we may license others to construct, equip, open, own or operate Franchise operations in the Development Area. When this Agreement expires or is terminated for any reason and except as required to perform your obligations under a valid separate Franchise Agreement with us, you shall:

(a) not directly or indirectly at any time thereafter or in any manner: (i) identify yourself or any business as a current or former Area Representative or ours; (ii) use any Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark or other indicia of a Franchise operation in any manner or for any purpose; or (iii) use for any purpose any trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us;

(b) take the actions required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) deliver to us within thirty (30) days all advertising, marketing and promotional material, forms and other materials containing any Mark or otherwise identifying or relating to the AR Business or to a Franchise operation;

(d) if applicable, notify all search engines of the termination or expiration of your right to use all domain names, Websites and other search engines associated directly or indirectly with the Marks or Franchise operations and authorize those search engines to transfer to us or our designee all rights to the domain names, Websites and search engines relating to the Marks or Franchise operations. We have the absolute right and interest in, and to, all domain names, Websites and search engines associated with the Marks or Franchise operations, and you hereby authorize us to direct all applicable parties to transfer your domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason whatsoever. All parties may accept this Agreement as conclusive of our right to such domain names, Websites and search engines and this Agreement will constitute the authority from you to all parties to transfer all such domain names, Websites and search engines to us;

(e) immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned you; and

(f) give us, within thirty (30) days after the expiration or termination of this Agreement,

evidence satisfactory to us of your compliance with these obligations.

14. SPECIFIC PERFORMANCE; INJUNCTIVE RELIEF.

Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to (1) enforce the provisions of this Agreement relating to your use of the Marks and non-disclosure and non-competition obligations under this Agreement; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or GOODCENTS FRANCHISES; or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, then you shall pay us an amount equal to the total of our costs of obtaining it, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damage in the event there is a later determination that an injunction or specific performance order was issued improperly. You agree that we shall be entitled to injunctive release without posting any type of bond.

15. ALTERNATIVE DISPUTE RESOLUTION

Except as provided in the preceding Section, any controversy or claim arising out of or related to this Agreement, or the breach thereof pertaining to the termination of the Franchise Agreement, giving of consent by GOODCENTS, or other questions arising under this Agreement not otherwise covered herein, either in contract or tort, shall be attempted to be resolved by the procedure set forth by the National Franchise Mediation Program upon the application of either party. The mediation proceeding shall be conducted in accordance with the guidelines set forth by the CPR Institute for Dispute Resolution or any successor thereto. Resolution by the appointed Mediator who is mutually agreed upon by the parties shall not be binding upon GOODCENTS or you or enforceable in any court of competent jurisdiction. Unless otherwise determined by the Mediator, the fees and expenses for such resolution shall be paid in equal proportions by the parties. The mediation proceeding shall take place in the County of Johnson, State of Kansas. In connection with any mediation preceding the provisions of the Federal Rules of Evidence and the Kansas Code of Civil Procedure with respect to depositions and discovery (including any successor provisions thereto) are to be utilized in said proceedings. In the event neither of the parties wish to conduct such dispute resolution by mediation, then the parties agree that resolution of such dispute shall be conducted by binding arbitration pursuant to the procedures and guidelines set forth by the American Arbitration Association for commercial disputes and that such proceedings shall take place in the County of Johnson, State of Kansas.

The parties agree that any proceeding will be conducted on an individual, not a class-wide, basis and that any proceeding between you and us may not be consolidated with another proceeding between us and any other entity or person.

16. GENERAL CONDITIONS AND PROVISIONS.

16.1 Relationship between the parties.

It is expressly agreed that it is intended by this Agreement to establish between us and you the relationship of franchisor and area representative. Except as expressly provided herein, it is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. In no event shall either party be deemed to be fiduciaries of the other. Neither we nor you are the employer, employee, agent, partner, or co-venturer of, or with the other, each being independent contractors. You agree that you will not hold yourself out as the agent, employee, partner, or co-venturer of ours, or as having any of the aforesaid authority. Employees hired by, or working for, you shall be your employees and shall not, for any purpose, be deemed employees of ours or subject to our control.

16.2 Indemnification.

To the fullest extent permitted by law, you agree to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the “Indemnified Parties”) from and against all claims, obligations and damages (and to reimburse any one or more of the Indemnified Parties for any damages incurred as a result of such claims and obligations) directly or indirectly arising out of: (1) the AR Business conducted by you pursuant to this Agreement, (2) your breach of this Agreement, or (3) your non-compliance or alleged non-compliance with any law, ordinance, rule or regulation. For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’ and expert witness’ fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at your expense, and you may not settle any claim or take any other remedial, corrective, or other actions relating to any claim without our consent. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you.

16.3 Waiver and Delay.

Except as otherwise expressly provided to the contrary, no waiver by us of any breach or series of breaches or defaults in performance by you, and no failure, refusal or neglect of, or by, us to exercise any right, power or option given to us under this Agreement or under any other agreement between us and you, whether entered into before, after or contemporaneously, with the execution of this Agreement (and whether or not related to this Agreement) or to insist upon strict compliance with, or performance of, your obligations under this Agreement or any other agreement between us and you, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement), shall constitute a novation, or a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

16.4 Survival of Covenants.

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

16.5 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of your and our legal representatives, successors, and assigns.

16.6 Joint and Several Liabilities.

If either party consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to the other under this Agreement are joint and several.

16.7 Governing Law.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.), this Agreement and the Area Representative Franchise will be governed by the internal laws of the State of Kansas (without reference to its choice of law and conflict of law rules), except that the

provisions of any Kansas law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Section. You agree that we may institute any action against you arising out of or relating to this Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) in any state or federal court of general jurisdiction in Johnson County, Kansas, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

16.8 Consent to Jurisdiction.

Subject to Section 14 and the provisions below, you and your owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the State of Kansas, and in the state or federal court of general jurisdiction closest to where our principal business address is then located, and you (and your owners) irrevocably submit to the jurisdiction of those courts and waives any objection you (or your owners) might have with either the jurisdiction of, or venue in, those courts. Nonetheless, you and any of your owners agree that we may enforce this Agreement and any arbitration orders and awards in the courts of the state or states in which you or your owners are domiciled.

16.9 Waiver of Punitive Damages and Jury Trial.

Except for your obligation to indemnify us under Section 15.2 above and except where authorized by federal statute, we and you and your owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between you and us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

16.10 Limitation of Claims.

Any and all claims arising out of or relating to this Agreement or our relationship with you, except for claims for indemnification under Section 15.2 above, will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

16.11 Entire Agreement.

This Agreement and the Exhibits incorporated in the Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement. All prior agreements, understanding and representations are merged in this Agreement and superseded by this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement, provided that we may modify or amend the Manuals at any time without notice to, or approval of, you or any other person.

16.12 Title for Convenience.

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

16.13 Gender.

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

16.14 Severability.

Except as expressly provided to the contrary in this Agreement, each Section, paragraph, term and provision of this Agreement is severable, and if, for any reason, any part thereof, is found to be invalid or contrary to, or in conflict with, any applicable present or future law and regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provisions to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

16.15 Fees and Expenses.

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

16.16 Notices.

Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant to this Agreement shall be deemed so delivered at the time delivered by hand, three (3) business days after transmission by mail, via registered or certified mail, return receipt requested; or two (2) business days after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available, postage prepaid and addressed as follows:

If to Company: MR. GOODCENTS FRANCHISE SYSTEMS, INC.
Attn: Compliance Officer
Phone: (913) 583-8400
E-mail: compliance@goodcentssubs.com

If to Area Representative: _____

Or to such other addresses any such party may designate by ten (10) days advance written notice to the other party.

16.17 Time of Essence.

Time shall be of the essence for all purposes of this Agreement.

16.18 Lien and Security Interest.

To secure your performance under this Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and the proceeds from all of the same: (1) all inventory now owned or after-acquired by you and the AR Business, including but not limited to, all inventory and supplies transferred to or acquired by you in connection with this Agreement; (2) all accounts of yours and/or the AR Business now existing or subsequently arising, together with all interest in you and/or the AR Business, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (3) all contract rights of yours and/or the AR Business, now existing or subsequently arising; and (4) all general intangibles of yours and/or the AR Business, now owned or existing, or after-acquired or subsequently arising. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in, and to, these assets.

16.19 Cross Default.

Any Event of Default under this agreement shall constitute an Event of Default under all other agreements between the parties and, except as may otherwise be agreed upon in a writing signed by the relevant parties, the default of any other agreement between the parties shall result in the simultaneous termination or expiration of this agreement.

17. SUBMISSION OF AGREEMENT.

This Agreement shall not be binding upon us unless and until it shall have been submitted to and signed by our officer, and the date of said signing as set forth on the first page of this Agreement shall be the effective date of this Agreement.

18. ACKNOWLEDGMENTS.

To induce us to sign this Agreement and grant you the Area Representative rights, you acknowledge:

- (a) That you have independently investigated the GOODCENTS Area Representative Franchise opportunity and recognizes that, like any other business, the nature of the Area Representative Franchise may, and probably will, evolve and change over time.
- (b) That an investment in a GOODCENTS Area Representative Franchise involves risks.
- (c) That your business abilities and efforts are vital to your success.
- (d) That performing your obligations will require a high level of customer service and strict adherence to the System.
- (e) That you have not received or relied upon, and we expressly disclaim making any representation, warranty, or guaranty, express or implied, as to the revenues, profits, or success of a GOODCENTS Area Franchise or any GOODCENTS FRANCHISE operation.
- (f) That any information you have acquired from other GOODCENTS FRANCHISE

operations or other GOODCENTS Area Representatives regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

(g) That you have no knowledge of any representations made about the GOODCENTS Area Representative Franchise opportunity by us, our subsidiaries, or affiliates or any of their respective officers, directors, shareholders, or agents that are contrary to the statements made in our Franchise Disclosure Document or the terms and conditions of this Agreement.

(h) That in all of their dealing with you, our officers, directors, employees, and agents act only in a representative, and not in an individual capacity and that business dealings between you and them as a result of this Agreement are only between you and us.

(i) That you have represented to us, to induce us to enter into this Agreement, that all statements you have made and all materials you have given to us in acquiring the franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise.

(j) That you have read this Agreement and our Franchise Disclosure Document and understand and accept that the terms and covenants in this Agreement are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards of each GOODCENTS Area Representative Franchise and GOODCENTS FRANCHISE operation, and to protect and preserve the goodwill of the Marks.

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to the first date set forth above.

COMPANY:

MR. GOODCENTS FRANCHISE SYSTEMS, INC., a Kansas corporation,

By: _____

Its: _____

AREA REPRESENTATIVE

By: _____

Its: _____

ADDENDUM

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20__, by _____

_____ (the "Guarantor").

In consideration of, and as an inducement to, the execution of the certain Area Representative Franchise Agreement of even date herewith (the "Agreement") by MR. GOODCENTS FRANCHISE SYSTEM, INC., a Kansas Corporation (Franchisor"), and _____, a _____, (the "Area Representative") each of the undersigned being directly or indirectly beneficially interested in the business to be conducted by the Area Representative hereby personally and unconditionally guarantees to the Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that the Area Representative shall (a) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) hereby agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right it may have to require that an action be brought against Area Representative or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) their direct and immediate liability under this guaranty shall be joint and several; (2) they shall render any payment or performance required under the Agreement upon demand if Area Representative fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Representative or any other person; and (4) such liability shall not be diminished, relieved or otherwise be affected by any extension of time, credit or other indulgence which Franchisor may grant to Area Representative or to any other person, including 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.

Guarantor hereby consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Area Representative and the other Guarantors of Area Representative;

(b) Guarantor shall render any payment or performance required under the Area Representative Franchise Agreement upon demand if Area Representative fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Area Representative or any assignee or successor of Area Representative or by any abandonment of the Franchise Agreement by a trustee of Area Representative. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for the enforcement hereof shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Area Representative or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Area Representative jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Area Representative. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

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

Individual Guarantor

Percent Ownership

Spouse

**SCHEDULE A - CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this ___ day of _____, between Mr. Goodcents Franchise Systems, Inc., a Kansas corporation (“Franchisor”), and _____ (“Area Representative”).

RECITALS

WHEREAS, Franchisor has obtained the right to develop a unique system (the “System”) for the development and operation of GOODCENTS businesses under the name and marks GOODCENTS® (“GOODCENTS RESTAURANT(S) or “Restaurants(s)”); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks GOODCENTS® and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System’s high standards of quality, appearance and service and distinctive merchandising, interior design, decor, color scheme and furnishings, uniform standards, specifications and procedures for inventory, merchandising, management and financial control; operations; quality and uniformity of products offered; procedures for management and financial control; training and assistance; and advertising and promotional programs; all of which Franchisor may change, improve and further develop and which Franchisor uses in connection with the operation of the System (“Trade Secrets”); and

WHEREAS, the Licensed Marks and Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, Franchisor has granted Area Representative the limited right to develop GOODCENTS business units using the System, the Licensed Marks, and the Trade Secrets, pursuant to an Area Representative Franchise Agreement entered into on (“Area Representative Franchise Agreement”), by and between Franchisor and Area Representative; and

WHEREAS, Franchisor and Area Representative have agreed in the Representative Agreement on the importance to Franchisor and to Area Representative and other licensed users of the System of restricting the use, access, and dissemination of the Trade Secrets; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Area Representative, or any entity having an interest in the Area Representative (hereinafter referred to as (“Covenanter”) to have access to and to use some of all of the Trade Secrets in the management and operation of Area Representative’s business operation using the System; and

WHEREAS, Area Representative has agreed to obtain from those covenanters, written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, Covenanter wishes to remain, or wishes to become associated with or employed by Area Representative; and

WHEREAS, Covenanter wishes and needs to receive and use the Trade Secrets in the course of his employment or association in order to effectively perform the services for Area Representative; and

WHEREAS, Covenanter acknowledges that receipt of and the right to use the Trade Secrets constitutes independent valuable consideration for the representations, promises and covenants made by Covenanter.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Area Representative shall disclose to Covenanter some or all of the Trade Secrets relating to the System. All information and materials, including, without limitation, manuals, recipes, drawings, specifications, techniques, and compilations of data which Franchisor provides to Area Representative and/or Covenanter are deemed confidential Trade Secrets for the purposes of this Agreement.
2. Covenanter shall receive the Trade Secrets in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with an Area Representative and then only in connection with the development and/or operation by Area Representative of a GOODCENTS business for so long as Area Representative is licensed by Franchisor to use the System.
3. Covenanter shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.
4. Covenanter shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of Area Representative and only to the limited extent necessary to train or assist other employees of Area Representative in the development or operation of a GOODCENTS business.
5. Covenanter must surrender any material containing some or all of the Trade Secrets to Area Representative or Franchisor, upon request, or upon termination of employment by Area Representative, or upon conclusion of the use for which the information or material may have been furnished to Covenanter.
6. Covenanter shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.
7. Franchisor loans all manuals to Area Representative for limited purposes only and they remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Trade Secrets, and in consideration for the disclosure to Covenanter of the Trade Secrets, Covenanter further agrees and covenants as follows:
 - a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Restaurants to any competitor; and
 - b. Except with prior written consent of Franchisor, not to employ, or seek to employ, any person who is at the time or was within the preceding 180 days employed by Franchisor, any of its affiliates or any Area Representative of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Area Representative's employment of that person if permitted under the Multi-Unit Agreement.
2. In further consideration for the disclosure to Covenanter of the Trade Secrets and to protect the uniqueness of the System, Covenanter agrees and covenants that for 2 years following the earlier of the expiration, termination, or transfer of all Area Representative's interest in the Multi-Unit Agreement or the termination of his association with or employment by Area Representative, Covenanter will not without the prior written consent of Franchisor:

- a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Restaurants to any competitor;
- b. Employ, or seek to employ, any person who is at the time or was within the preceding 180 days employed by Franchisor, any of its affiliates or any franchisee of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and
- c. Except with respect to GOODCENTS business not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person, partnership or corporation, without the prior written consent of Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) become employed, advise, assist or make loans to, any business that is of a character and concept similar to the GOODCENTS business. As used in this Agreement, the term "similar" means a restaurant business which has a similar menu or similar trade dress or decor and which restaurant business is located, or is intended to be located, within the Development Area granted Area Representative by the Multi-Unit Agreement, within the Development Area granted other Area Representatives pursuant to Multi-Unit Agreements, or within a 5 mile radius of the location of any GOODCENTS business or food service facility in existence or under construction, whether owned by Franchisor or its affiliates or by an Area Representative or where land has been purchased or a lease has been executed by a Franchisor, its affiliate or any Area Representative or franchisee of Franchisor.

Miscellaneous

1. Area Representative shall make all commercially reasonable efforts to ensure that Covenanter acts as required by this Agreement.
2. Covenanter agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of a breach, or threatened or attempted breach of any of the provisions, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Multi-Unit Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.
3. Covenanter agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Area Representative in enforcing this Agreement.
4. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by Covenanter shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenanter.
5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF KANSAS. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF JOHNSON COUNTY, KANSAS AND THE FEDERAL DISTRICT COURT IN WYANDOTTE COUNTY, KANSAS. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY KANSAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE JOHNSON COUNTY, KANSAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR AREA

REPRESENTATIVE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any un-appealed final decision to which Franchisor is a part, Covenanter expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

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

8. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within 3 business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

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

Mr. Goodcents Franchise Systems, Inc.
8997 Commerce Drive
De Soto, Kansas 66018
Attn: Compliance Officer

If directed to Area Representative, the notice shall be addressed to:

Attention: _____
Facsimile: _____

If directed to Covenanter, the notice shall be addressed to:

Attention: _____
Facsimile: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given 3 business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving 15 days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday, and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective affiliates, successor, and assigns. The respective obligations of Area Representative and Covenantor hereunder may not be assigned by Area Representative or Covenantor without the prior written consent of Franchisor.

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

FRANCHISOR:
MR. GOODCENTS FRANCHISE
SYSTEMS, INC., a Kansas corporation

AREA REPRESENTATIVE:
(If Area Representative is a corporation)

Name of Corporation

By: _____

By: _____

Title: _____

Title: _____

COVENANTOR:

(If Area Representative is an individual owner,
Area Representative must sign below; if
a partnership, all partners must sign below)

Printed Name

Area Representative

Area Representative

Area Representative

Area Representative

(If Area Representative is a Limited Liability Company)

Name of Limited Liability Company

By: _____

Title: _____

EXHIBIT C

DESIGNATED REPRESENTATIVE AREA

EXHIBIT D

DEVELOPMENT OBLIGATION

DEVELOPMENT OBLIGATION

Area Representative shall have the following development obligation described as follows:

EXHIBIT E

OWNERSHIP INTERESTS IN AREA REPRESENTATIVE

EXHIBIT E

OWNERSHIP INTERESTS IN AREA REPRESENTATIVE

3-1. Full name and address of the owners of, and a description of the type of, all currently held Interests in Area Representative:

3-2. Minimum individual and aggregate Principal Owner ownership percentage required at all times during the term of this Agreement.

3-3. During the term of this Agreement, the Principal Owners together must have a “controlling interest” (i.e., a fifty-one percent (51%) “ownership interest” of the equity, voting control and profits) in Franchise owner.

3.4 Unless otherwise submitted, the “ownership interest” of each Principal Owner during the term of this Agreement is:

<u>Ownership Name</u>	<u>Percentage</u>
<hr/>	<hr/>
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EXHIBIT F

AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

STATE	AGENT	ADDRESS
California	Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-1105
Hawaii	Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana	Indiana Secretary of State	302 W Washington Street, Room E-111, Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Commerce Corporations and Securities Bureau	525 West Ottawa 670 Law Building Lansing, MI 48913
Minnesota	Commissioner of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York	Secretary of State of the State of New York	41 State Street Albany, NY 12231-0001
North Dakota	Securities Commissioner	600 East Boulevard Avenue State Capitol Fourteenth Floor Dept 414 Bismarck, ND 58505-0510
Rhode Island	Director of the Department of Business Regulation	1511 Pontiac Avenue Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions	150 Israel Rd. S.W. Tumwater, WA 98501
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 345 W. Washington Ave., 4th Floor Madison, WI 53701

EXHIBIT G

STATE ADMINISTRATORS

STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR	ADDRESS
California	Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 Toll Free Telephone #: 1-866-275-2677
Hawaii	Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of the Attorney General	500 South Second Street Springfield, IL 62706
Indiana	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Maryland	Office of the Attorney General Securities Division	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Consumer Protection Division Franchise Section	525 West Ottawa 670 Law Building Lansing, MI 48913
Minnesota	Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York	New York State Department of Law Bureau of Investor Protection and Securities	120 Broadway, 23rd Floor New York City, NY 10271
North Dakota	North Dakota Securities Department	600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, ND 58505-0510 Phone: 701-328-4712
Rhode Island	Department of Business Regulation Securities Division	1511 Pontiac Ave Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division	150 Israel Rd. S.W. Tumwater, WA 98501
Wisconsin	Department of Financial Institutions Securities Division	345 W. Washington, 4th Floor Madison, WI 55103

EXHIBIT H

STATE ADDENDA

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND
FRANCHISE AGREEMENT FOR CERTAIN STATES FOR MR.
GOODCENTS FRANCHISE SYSTEMS, INC.**

ILLINOIS

The Cover Page, Item 5 and Item 7 of the FDD and Article VI of the Franchise Agreement, shall be amended by the addition of the following language:

“Based on our financial condition, the Illinois Attorney General’s Office, has required that all initial fees be deferred until such time as we have completed our initial obligations to you and your first Fitness Facility is open for business.”

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

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 this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act”.

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

DATE

PROSPECTIVE FRANCHISEE

PRINTED NAME

INDIANA

Item 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.

The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).

The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

MARYLAND

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

The Franchise Agreement is amended to state that all representations requiring prospective franchisees 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.

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

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

DATE

PROSPECTIVE FRANCHISEE

PRINTED NAME

MICHIGAN

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 your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us, and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of us or our sub franchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer

our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Law Building 525 W. Ottawa Street, Lansing, Michigan 48913, telephone number: (517) 373-7117.

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee 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 the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
4. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
5. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.17, Subd. 5, which requires that no action may be commenced more than three years after the cause of action accrues.
6. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
7. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
8. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
9. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
10. Item 6 of the FDD and Section I of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence pursuant to Minnesota Statute 604.113.

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

NORTH DAKOTA

Sections of the FDD and the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD and the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the FDD and the Franchise Agreement relating to choose of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD and the Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51- 19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD and the Franchise Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD and the Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 7 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

RHODE ISLAND

§ 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.” The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration 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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

VIRGINIA

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for NM Franchise Operations or use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

WASHINGTON

FDD

Item 17 entitled “RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION” shall be amended by the addition of the following paragraphs at the end of Item 17:

The state of Washington has a statute, RCW 19.100.180, which 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. The FDD and the Franchise Agreement are amended accordingly.

In any arbitration involving a Franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. The FDD and are amended accordingly.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail. The FDD and the Franchise Agreement are amended accordingly.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable. The FDD and the Franchise Agreement are amended accordingly.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer. The FDD and the Franchise Agreement are amended accordingly.

Franchise Agreement

Article VIII, Section 3, under the heading “TERMINATION” shall be amended by adding the following language:

“The state of Washington has a statute, RCW 19.100.180 which 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.”

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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 behalf of the Franchisor. This provision supersedes any other term of any document execution in connection with the franchise.

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.

The 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:

Registration State	Effective Date
California	N/A
Hawaii	N/A
Illinois	In process
Indiana	In process
Maryland	N/A
Michigan	In process
Minnesota	In process
New York	N/A
North Dakota	N/A
Rhode Island	In process
South Dakota	In process
Virginia	N/A
Washington	N/A
Wisconsin	In process

The document is effective in all other states upon the issuance date.

EXHIBIT I

RELEASES

GOODCENTS

RELEASE (For renewal franchise)

This Release is made as of _____ (Effective Date of renewal Franchise Agreement) between _____, a [corporation/limited liability company/partnership/proprietorship] (“Franchisee”), those individuals or companies listed as “Principals” on the signature page hereof and MR. GOODCENTS FRANCHISE SYSTEMS, INC., a corporation (“Franchisor”).

RECITALS

1. Franchisee and Franchisor are party to a certain GOODCENTS FRANCHISE AGREEMENT, dated _____ (“Current Area Representative Agreement”), for operation by Franchisee of a GOODCENTS business located at _____, the term of which Current Area Representative Agreement expires on _____;
2. Franchisee desires to renew the Current Area Representative Agreement;
3. The terms and provisions for renewal by Franchisee of the Current Area Representative Agreement are set forth in Section 4 of said Current Area Representative Agreement; and
4. Among the requirements and conditions for renewal set forth in Section 4 of the Current Franchise Agreement is the provision that Franchisee, its owners and partners, or stockholders or members (if Franchisee is a corporation or limited liability company), hereinafter “Releasors,” execute a general release of any and all claims against Franchisor and its affiliates, officers, directors, employees, and agents, hereinafter “Releasees.” Under COMAR 02.02.08.16L, the general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

THEREFORE, in consideration of Franchisor’s willingness to execute a renewal Franchisee for Franchisee’s operation of an Area Representative Business under a renewal Area Representative Agreement:

1. Releasors hereby release Releasees (including Franchisor) from any and all claims of Franchisee or any Releasor arising out of or in any way connected with or based on:
 - (i) any representations alleged to have been made by Franchisor or any Releasee in connection with the negotiation and inducement to Franchisee’s execution of the Current Area Representative Agreement or any renewal Area Representative Agreement between Franchisee and Franchisor;
 - (ii) Franchisor’s administration and performance under the Current Area Representative Agreement;
 - (iii) any financial obligation claimed to be owed by Franchisor to Franchisee or any Releasor under the Current Area Representative Agreement; and
 - (iv) any action or conduct related to the franchise relationship created by the Current Area Representative Agreement, whether now known or hereafter discovered, fixed or contingent, and whether or not previously made or communicated to the other.

2. Nothing herein to the contrary, or any other writing or statement alleged to have been orally made by Franchisor or any Releasee to the contrary, shall release any claim of Franchisor against Franchisee or any Guarantor, under the Current Area Representative Agreement.

3. Notwithstanding the effectiveness of this Release, nothing herein shall in any way diminish, impair, or release any of the obligations of Franchisee or Franchisor under the renewal Area Representative Agreement being made concurrently herewith.

IN WITNESS WHEREOF, Releasors have, through Franchisee’s duly authorized officers and/or managers (or if Franchisee is a proprietorship or partnership, through the individual or partners thereof) and, individually, executed this Release to bind each of them the day and year first above written.

“RELEASORS”

_____ : FRANCHISEE

_____ By: Officer/Manager

“PRINCIPALS”

GOODCENTS[®]

RELEASE (Transfer)

«Month» «Day», «Year»

«PrsntOwncorpName»

«PrsntGuarantee1»

«PrsntGuarantee2»

Re: Transfer of Assets of GOODCENTS business

«RestAddress»

«CitySTZip»

«PrsntOwncorpName» to «NewOwncorpName»

Dear «PrsntOwncorpName»:

MR. GOODCENTS FRANCHISE SYSTEMS, INC. (“GOODCENTS”) is a party to that certain Franchise Agreement with «PrsntOwncorpName», «PrsntGuarantee1» and «PrsntGuarantee2», operating an area Development business.

This letter will acknowledge GOODCENTS’ receipt of all monies due and shall constitute GOODCENTS’ consent to the transfer by «PrsntOwncorpName», «PrsntGuarantee1» and «PrsntGuarantee2» to «NewOwncorpName» under that certain Purchase Agreement, dated «Month» «Day», «Year». This consent refers both to the sale of assets .

Upon closing of said transfer and assignment from «PrsntOwncorpName» to «NewOwncorpName», the Area Representative Agreement between «PrsntOwncorpName», «PrsntGuarantee1» «PrsntGuarantee2» and GOODCENTS is hereby deemed terminated as of said date and neither of us shall have any further obligation to the other, except that «PrsntOwncorpName», «PrsntGuarantee1» and «PrsntGuarantee2» as Guarantors, shall be bound by the post-termination covenants applicable to former franchisees of GOODCENTS as set forth in Section 20(C) of the Franchise Agreement.

Further, «PrsntOwncorpName», «PrsntGuarantee1» and «PrsntGuarantee2» and GOODCENTS hereby mutually release each other from claims and liabilities of any sort arising out of or relating to any inducements or representations which may have been made by either of them in connection with the sale and grant of the Franchise Agreement and further mutually release each other from any and all claims relating to the duties and obligations of the parties under the Franchise Agreement, or any claim of breach thereunder. Under COMAR 02.02.08.16L, the general release required as a condition of transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Very truly yours,

MR. GOODCENTS FRANCHISE SYSTEMS, INC.

By: _____
Title: _____

Accepted and Agreed to this «Day» day of «Month» «Year».

By: _____
«PrsntGuarntee1», President

«PrsntGuarntee2», Vice President

«PrsntGuarntee1»

«PrsntGuarntee2»

cc:
«NewOwnrCorpName»
«newownrfullname»



FRANCHISEE ACKNOWLEDGMENT STATEMENT

- A. I, the undersigned, being the Franchisee, hereby acknowledge that I have been advised by the Franchisor that I should obtain:
 - a) Independent Legal Advice;
 - b) Independent Accounting Advice;
 - c) Independent Business Advisory Advice.

- B. I, the undersigned, being the Franchisee, hereby acknowledge that I have not received or relied on, any warranty or guarantee, express or implied, as to the revenues, profits or success of the business venture contemplated by the Franchise Agreement or Franchisor.

- C. I, the undersigned, being the Franchisee, hereby acknowledge that I have not received or relied on any representations about the franchise by Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in Franchisor’s Franchise Disclosure Document or to the terms of the Franchise Agreement, and further represent to Franchisor as an inducement to entry into the Franchise Agreement, that Franchisee has made no misrepresentations in obtaining the franchise.

- D. I, the undersigned, being the Franchisee, hereby acknowledge that I have read the Franchise Agreement and Franchisor’s Franchise Disclosure Document and that I understand and accept the terms, conditions and covenants contained in the Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and uniformity of those standards in order to protect and preserve the goodwill of the Licensed Marks.

Dated this _____ day of _____, 20_____

FRANCHISEE:

By:
Title: Franchisee

EXHIBIT J

RECEIPTS

RECEIPTS J – 1

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

If GOODCENTS offers you a Franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Maryland, New York, and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon, and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is Mr. Goodcents Franchise Systems, Inc., located at 8997 Commerce Drive, De Soto, Kansas 66018. Its telephone number is (913) 583-8400.

Issuance Date: March 11, 2024.

The franchise seller for this offering is Joseph J. Bisogno, Chief Executive Officer, Mr. Goodcents Franchise Systems, Inc., 8997 Commerce Drive, De Soto, Kansas 66018; (913) 583-8400.

Mr. Goodcents Franchise Systems, Inc. authorizes the respective state agencies identified on Exhibit F to receive service of process for it in the particular state.

I received a disclosure document dated March 11, 2024, that included the following Exhibits:

- | | |
|---|----------------------------------|
| A. Financial Statements | F. Agents for Service of Process |
| B. Area Representative Franchise Agreement | G. State Administrators |
| C. Designated Representative Area | H. State Addenda |
| D. Development Obligation | I. General Releases |
| E. Ownership Interests in Area Representative | |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing electronically through Panda Doc, signing, dating, and mailing it to Mr. Goodcents Franchise Systems, Inc. at 8997 Commerce Drive, De Soto, Kansas 66018, or by faxing a copy of the signed and dated receipt to Mr. Goodcents Franchise Systems, Inc at 913-583-3500.

RECEIPTS J – 2

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

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| C. Designated Representative Area | H. State Addenda |
| D. Development Obligation | I. General Releases |
| E. Ownership Interests in Area Representative | |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

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