



FRANCHISE DISCLOSURE DOCUMENT

Mongolian Management and Investment Company, L.L.C.

A Michigan Limited Liability Company

8200 Springwood Drive

Suite #230

Irving, TX 75063-5811

214-774-4240

www.gomongo.com

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As a franchisee, you will operate a bd's Mongolian Grill®-branded Restaurant that offers an interactive restaurant experience featuring a "create your own stir-fry" concept, dessert items, and other food and beverage products, including alcoholic beverages. We offer a Franchise Agreement for the development of one Restaurant in a single specified location, as well as an Area Development Agreement for the right to develop more than one Restaurant in a defined territory.

The total investment necessary to begin operation of a bd's Mongolian Grill® Restaurant is \$881,000 to \$2,276,500. This includes \$45,000 to \$65,000 that must be paid to the franchisor or an affiliate. Development Fees for Area Development Agreements are \$45,000 for the first Restaurant plus \$10,000 for each additional Restaurant that you agree to develop under the terms of your Development Schedule. These amounts will be credited against the payment of your Initial Franchise Fees for each Restaurant that you develop.

This Disclosure Document summarizes certain provisions of your Franchise Agreement or Area Development 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, us or an affiliate of ours in connection with the proposed sale of a Restaurant or Area Development Agreement. **Note, however that no government agency has verified the information contained in this Disclosure Document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ken Leetch, Vice

President of Operations, at 8200 Springwood Drive, Suite #230, Irving, Texas 75063-5811; (214) 774-4240.

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

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

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

ISSUANCE DATE: August 16, 2021

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

Business model cexan 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 L.

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 Texas. 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 Texas than in your own state.
2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

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.

Mongolian Management and Investment Company, L.L.C.
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FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE 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:

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

- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subsection does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subsection prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subsection (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

If you have any questions regarding the foregoing provisions, contact the Michigan Department of Attorney General, Consumer Protection Division, Franchise Section, 525 W. Ottawa Street, Williams Building, 1st Floor, Lansing, Michigan 48933; (517) 373-7117.

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

The franchisor is Mongolian Management and Investment Company, L.L.C. (“we,” “us,” or “our”). “You” means the person or Entity to whom we grant a franchise. If you are a corporation, partnership, limited liability company or other Entity, your Owners must sign the Guaranty which means that all of the provisions of the Franchise Agreement (Exhibit B) and the Area Development Agreement (Exhibit C) will apply to your Owners.

We are a Michigan limited liability company that was formed on May 22, 1995. Our principal business address is 8200 Springwood Drive, Suite #230, Irving, Texas 75063-581. We operate under our limited liability company name and the Marks described in Item 13 (the “Marks”). We do not do business or intend to do business under any other names.

We grant franchises for restaurants operating under the “bd’s Mongolian Grill®” name and the other Marks. (For reference purposes in this Disclosure Document, we call restaurants in our system “bd’s Mongolian Grill® Restaurants” or “Restaurants”; we call the “bd’s Mongolian Grill®” Restaurant that you will operate the “Restaurant.”) We offer single and multi-unit franchise arrangements. You must sign a separate Franchise Agreement for each Restaurant that you purchase. If you enter into an arrangement with us to develop multiple Restaurants, you will sign one Area Development Agreement and the then-current Franchise Agreement for each Restaurant that you develop under your Development Schedule in the Area Development Agreement (your “Development Schedule”). Future Franchise Agreements may differ from the current form of the Franchise Agreement attached to this Franchise Disclosure Document.

Your Restaurant will offer dine-in, carry-out and catering services and feature a system that implements a “create your own stir-fry” menu, and related products, and beverages, as described in the Operating Manuals (the “Menu Items”). The Menu Items are prepared using specified recipes, cooking techniques, procedures and product specifications that we can change during the term of the Franchise Agreement. The Restaurant will be licensed to operate under our Marks and such other Marks as we may designate under the terms of the Franchise Agreement.

Your Restaurant will operate using a unique system (the “System”) developed by us for the establishment, development and operation of bd’s Mongolian Grill® Restaurants. The System is characterized by distinctive exterior and interior layout, design, and color scheme; signage; decor; furnishings and materials; special recipes; formulas; menus; food and beverage designations; the Operating Manuals; food and beverage storage; operating procedures for sanitation and maintenance; methods and techniques for inventory and cost controls; record keeping and reporting; personnel management; staff and management training and development; purchasing; sales promotion and advertising; proprietary equipment; proprietary preparation, cooking procedures and techniques; proprietary meats; proprietary sauces and soups; proprietary Menu Items, all of which we may change and further develop.

Using the System and the Marks, you will offer food and beverage products to the general public throughout the year and compete with other local, regional and national restaurants. You should be aware that the restaurant industry is highly competitive and is a developed market. You must compete with other restaurant businesses using similar food preparation techniques, as well as other restaurant businesses offering delivery, carry-out, on-premises and catering dining services. The Mongolian barbeque or Mongolian grill concept is a recognized concept.

Therefore, there may be other restaurants employing a “create your own stir-fry” concept in your Designated Area, even though these restaurants are unaffiliated with us.

There are federal, state and local laws and regulations which govern the food service industry and the sale of liquor, including regulations on occupational hazards and health, dispensing of food products, nutritional disclosure requirements, serving liquor, consumer protection, trade regulation, workers' compensation, unemployment insurance, and various tax withholding and tax payment regulations. You must comply with state and local laws regarding the offer, sale, and consumption of intoxicating beverages, including purchasing and qualifying for a liquor license. Each Restaurant will be subject to these laws.

We began offering franchises for bd's Mongolian Grill® Restaurants in December 1995. We do not operate any bd's Mongolian Grill® Restaurants, although we may do so in the future. We currently have no other business activities other than offering franchises for, and providing services to franchisees of, bd's Mongolian Grill, and we have not offered franchises in any other lines of business.

One of our affiliates, Mongolian Operating Company, L.L.C. (“MOC”) is a limited liability company formed in Michigan in May 1998. Its principal address is the same as ours. It has owned and operated at least one bd's Mongolian Grill® Restaurant since its date of formation, and currently operates 12 bd's Mongolian Grill® Restaurants. MOC has no other business activities and has not offered franchises in any other lines of business.

Another affiliate, Genghis Grill Franchise Concepts, LP (“GGFC”), is a Texas limited partnership that was formed in October 2014. Its principal business address is the same as ours. GGFC's ultimate parent company is Mongolian Concepts, LLC, which is the same as our ultimate parent and is further described below. GGFC does not operate or franchise bd's Mongolian Grill® Restaurants. However, GGFC has offered franchises for GENGHIS GRILL® restaurants since January 2005. GENGHIS GRILL® restaurants specialize in Mongolian barbecue food and feature “build-your-own-bowls” of stir-fry cuisine, signature alcoholic beverages, desserts, and related items. They are similar to the Restaurant franchises offered under this Disclosure Document, but they operate under a different franchise system and different trademarks. GGFC does not operate GENGHIS GRILL® restaurants, but its affiliates do. As of December 31, 2020, GGFC had 21 operational GENGHIS GRILL® franchise restaurants. GGFC is not engaged in any other business activities and has never offered franchises in any other lines of business.

Our ultimate parent company, Mongolian Concepts, LLC (“MC”), is a Texas limited liability company that was formed in October 2017. Its principal business address is the same as ours. MC became our parent company as part of an acquisition by the owners of GGFC in October 2017.

Our immediate parent company, DK Group 2008, Inc. was formed in Delaware in March 2008 to purchase substantially all of our stock as part of a purchase and sale transaction involving a group of outside investors. Its principal business address is the same as ours.

Prior to the acquisition in 2017, we had three holding companies as our parent entities: DK Group 2008, Inc., DK 2015 Holdings, Inc. and Duke & Khan Holdings, LLC. Duke & Khan Holdings, LLC was formed in Delaware at the same time as DK Group 2008, Inc. to purchase substantially all of our stock in the purchase and sale transaction described above. DK 2015 Holdings, Inc., a Delaware corporation formed in February 2015, became the parent of DK Group 2008, Inc. when DK Group 2008, Inc.'s and our debt was restructured. DK 2015

Holdings, Inc. and Duke & Khan Holdings, LLC are now our affiliates and have the same ultimate parent. These affiliates have the same principal business address as ours. None of these affiliates offer franchises in this or any other line of business.

Other than as disclosed in this Item 1, we do not have any parents, predecessors or affiliates required to be included in this Franchise Disclosure Document. If we have an agent in your state for service of process, we disclose that agent in the State Agency Exhibit (Exhibit L).

Item 2. BUSINESS EXPERIENCE

Manish Patel, Managing Director – MC

Mr. Patel has served as the Managing Director of MC since December 2017. He was previously the Managing Director of Anna KT, LLC in Dallas, Texas from October 2010 to November 2017.

Becky Moldenhauer, Chief Financial Officer- MC

Ms. Moldenhauer has served as our Chief Financial Officer since May 2008, and has been one of our Vice Presidents and Assistant Secretaries, and a Vice President and Assistant Secretary of MOC, since May 2008. Ms. Moldenhauer has also been the Chief Financial Officer, Secretary and a Director of DK Flat Top Grill, LLC since January 2016.

Ken Leetch, Vice President of Operations - Grill Operations 2017, LLC

Mr. Leetch has served as our Vice President of Operations since January 2019. Prior to that, he was the Director of Operations for MC from February 2007 to December 2018.

Cassie Scholtens, Senior Director of Training and People - Grill Operations 2017, LLC

Ms. Scholtens has served as our Senior Director of Training and People since March 2020. Prior to that, she was the Director of Training for MC from March 2018 to March 2020, and was the Operations Support Manager for DK Flat Top Grill, LLC in Burnsville, MN from January 2016 to March 2018.

Item 3. LITIGATION

No litigation is required to be disclosed in this Item.

Item 4. BANKRUPTCY

Duke and King Acquisition Corporation (and related entities) filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of Minnesota [*In re Duke and King Acquisition Corp. et al*; Court File No. 10-38652] on December 4, 2010 while Becky Moldenhauer was an officer of the corporation (see Item 2). Duke and King's going-concern operations ceased on May 26, 2011. The reorganization plan was approved by the court on October 21, 2011, and the matter was closed on May 24, 2016.

Other than this one matter, no bankruptcy information is required to be disclosed in this Item.

Item 5. INITIAL FEES

Initial Franchise Fee

You must pay a lump sum Initial Franchise Fee of \$45,000 when you sign a Franchise Agreement. The initial franchise fee is paid in full, is not refundable, and is imposed uniformly on all franchisees.

Development Fee

When you sign an Area Development Agreement, you must pay a Development Fee consisting of \$45,000 for your first Restaurant and \$10,000 for each additional Restaurant that you are required to develop under your Development Schedule. You must sign the then-current form of our Franchise Agreement for each Restaurant that you develop under the Development Schedule and you must pay an Initial Franchise Fee of \$45,000 for each Restaurant. We will credit \$45,000 of the Development Fee to the Initial Franchise Fee for the first Restaurant you are required to develop under the Development Schedule and \$10,000 to each Initial Franchise Fee for subsequent Restaurants developed according to your Development Schedule. All Development Fees are fully earned when paid. The Development Fee is not refundable, even if you fail to open the number of units required under the Development Schedule. If you are not contracting for the right to develop multiple locations, but rather a specific single location, we typically will not require that you sign an Area Development Agreement.

Construction Management Fee

If you request or if we determine it is necessary based upon our analysis of your prior restaurant business experience, we will provide assistance managing the process during the build out or remodeling of your Restaurant. In return, you will pay us a "Construction Management Fee." This Fee varies based upon the scope of work you require; however, the Construction Management Fee will not exceed \$20,000. This Fee is not refundable.

Item 6. OTHER FEES

NAME OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Service Fee	4.5% of Net Sales, or \$1,000 per week, whichever is greater	Payable weekly on or before each Thursday for the preceding week.	"Net Sales" includes all income from the sale of Foods, Products, and Services to your customers, less sales taxes and refunds (Note 1)
Advertising and Promotion Fund Fee and Local Advertising (Note 2)	Currently, a total of 3% of Net Sales (includes both Advertising and Promotion Fund and Local Advertising)	Same as Service Fee; weekly	"Net Sales" is defined in Service Fee remarks and Note 1

NAME OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Audit Expenses (Note 3)	Cost of audit and investigation, plus Service and Advertising and Promotional Fund Fees due on understatement, plus interest on understatement at highest legal rate not to exceed 1.5% per month	30 days after billing	Cost of audit payable by you only if audit shows an understatement of your Restaurant's Net Sales by at least 2%. You are responsible for the Service and Advertising and Promotion Fund Fees for any understated Net Sales, plus interest on these amounts
Transfer Fee	\$5,000 plus reimbursement of our reasonable out-of-pocket costs, including training costs, attorneys' fees, and accounting fees.	With transfer application.	There is no fee if an individual or partnership transfers rights to a corporation controlled by the same interest holders.
Remodeling and Renovation Costs (Note 4)	Not more than 3% of your cumulative Net Sales over the previous five-year period.	As incurred	Remodeling and renovation fees are payable to us only if you do not remodel or renovate as required by us. Remodeling does not include general maintenance of your premises and replacement of your FF&E
Additional Training (Note 5)	\$100 - \$1,000 per person per day, plus expenses	Immediately upon receipt of bill	Payable only if you request or we require additional training
Additional Assistance (Note 6)	\$100 - \$1,000 per person per day, plus expenses	Immediately upon receipt of bill	Payable only if you request or we require additional assistance
Reacquisition Fee	50% of the then-current Initial Franchise Fee	At reacquisition	You must meet the conditions for reacquisition - see Item 17
Alternate Product/Supplier Approval	Our costs and expenses, up to \$5,000	Immediately upon request for approval	Payable to us or other testing company if you request us to approve any unapproved supplier or product
Operations Performance Improvement Fee	Currently, \$1,000 per occurrence.	When billed.	You must currently pay us \$1,000 for the reimbursement of costs incurred to help improve operations issues not rectified by you.
Securities Offering Fee	\$5,000 plus reimbursement of our reasonable out-of-pocket costs, including attorneys' fees associated with the proposed offering.	When billed.	We limit our review to the manner in which the offering materials treat you and our relationship.

NAME OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Interest	18% per annum or highest maximum rate allowed by law on past due fees owed to us	Immediately when due	Payable to us. See Article 4.11 of Franchise Agreement
Web-based Marketing Program (Note 7)	\$250 - \$500 per month	Immediately when due	Payable to us or another approved supplier
Relocation Fee	\$3,000	Immediately upon our approval of your new location	Payable only if you request, and we approve, a new location for your Restaurant

Note 1: "Net Sales" means the aggregate of all revenue from the sale of Foods, Products and Services from all sources connected with your Restaurant, whether for check, cash, credit or otherwise including all proceeds from any business interruption insurance, but excluding: (a) all refunds made in good faith, (b) any sales and equivalent taxes that you collect for or on behalf of any governmental taxing authority and pay to the taxing authority, (c) employee meals and the discounts offered for meals purchased with promotional coupons, or other offers, that have been approved by MMIC, (d) any rebate you receive from a manufacturer or supplier (see Article 4.3(A) of the Franchise Agreement).

Note 2: We require you to pay a non-refundable fee to our Advertising and Promotion Fund (the "Fund") in the same manner as the Service Fee. The bd's Mongolian Grill® Restaurants operated by our Affiliate MOC pay the same fee to the Fund. We choose the timing, forum, and supplier for the advertising. The Advertising and Promotion Fund Fee does not include your Grand Opening Advertising.

You are currently required to spend 3% of your Restaurant's weekly Net Sales on advertising expenditures, but we reserve the right to increase the total amount up to 6% of Net Sales. Of your current advertising expenditure requirement, you must currently contribute 2% of your Net Sales to the Fund each week (the "Fund Fee"), and spend 1% of your Net Sales on local advertising each week ("Local Advertising"). We may require you to allocate differing amounts or proportions to the Fund or Local Advertising. If you fail to spend your required minimum amount of Net Sales for your Restaurant on local advertising, you must pay any deficiency to us as an additional Service Fee.

Note 3: On an annual basis, we may initiate an audit of your books to ensure that you are properly accounting for all Net Sales or other reasons. You will be responsible to pay audit expenses if you understate your Net Sales by at least 2%. You will also be responsible to pay to us the Service Fees and Advertising and Promotion Fund Fees on the deficiency, plus interest at the maximum legal rate.

Note 4: You must renovate and modernize the Restaurant's building, premises, signs, and equipment upon our request, but not more than once during each of the following time periods: (a) the date of the Franchise Agreement through the end of the 7th year of the Franchise Agreement, (b) the beginning of the 8th year of the Franchise Agreement through the end of the 14th year of the Franchise Agreement, and (c) the beginning of the 15th year of the Franchise Agreement through the expiration of the

Franchise Agreement. Renovations and modernizations will make your Restaurant conform to the building design, trade dress, color scheme, and presentation of our Marks consistent with the current image of restaurants using the “bd’s Mongolian Grill®” System, but the cost of each renovation and modernization will not exceed 3% of the sum of the annual Net Sales from each of the five most recent years (except that this limit does not apply to the renovations and modernizations that are a condition to the reacquisition of your Franchise). You must renovate, repair and alter the exterior and interior of your premises at your own expense as reasonably directed by us. If you fail to make such required renovations within 120 days after your receipt of written notice from us setting forth the specific repairs or alterations that are required, then we, without being guilty in any manner of trespass, fault or negligence, and without prejudice to any of the other remedies we have, may have such repairs or alterations completed to maintain your Restaurant in accordance with our required standards. If this occurs, you must immediately reimburse us for all costs we incur to make such renovations, repairs, or alterations.

Note 5: We provide Management Training and Crew Training as part of the Initial Franchise Fee (see Item 11). If we determine that your Management Team or Crew need additional training or if you ask us to perform additional Management Training or Crew Training, we will charge you a per diem fee that can range from \$100-\$1,000 per assistant/trainer per day, plus expenses for our assistants/trainers. You will also be responsible for wages, benefits, travel and expenses of your Managers or Crew attending this additional training.

Note 6: We will charge you a fee that can range from \$100 to \$1,000 per person per day, plus expenses for any additional assistance, either directly or indirectly provided by us. We may determine that you require our additional assistance. You may request additional assistance. However, we reserve the right to determine whether or not it is necessary, and we reserve the right to not provide additional assistance if, among other things, the proper assistance is not available. Additional assistance can include on-site marketing consultation, on-site construction or build-out consultation and on-site restaurant operation consultation.

Note 7: We may organize a web-based marketing program and make your participation mandatory. The web-based marketing program may consist of activities such as an email database marketing program and other programs implemented in our Operating Manuals.

Unless otherwise noted, the above Fees are imposed by and payable to us. All Fees are non-refundable. If you fail to timely pay us the Service Fees or the Advertising and Promotion Fund Fees on two occasions in any 12-month period, we can require that you pay these Fees on a weekly basis. Unless stated otherwise, all Fees are uniformly imposed.

Item 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Initial Franchise Fee	\$45,000	\$45,000	Lump sum	At signing of Franchise Agreement	Us
Training Costs; Travel and Living Expenses While Training (Note 1)	\$100,000	\$120,000	As incurred	As incurred	Airlines, Hotels and Restaurants
Rent - First 3 Months (Note 2)	\$14,000	\$66,000	As arranged	As arranged	Landlord
Building (Note 3)	\$400,000	\$1,100,000	Varies	Varies	Suppliers
Furniture, Fixtures & Equipment (Note 4)	\$217,000	\$450,000	As arranged	Before Opening	Suppliers designated or approved by us
Liquor License (Note 5)	\$0	\$100,000	As arranged	As arranged	Government agencies; previous licensee, your attorneys or other third parties
Insurance (Note 6)	\$3,000	\$12,500	As arranged	Before Opening	Insurance Company approved by us
Miscellaneous Opening Costs (Note 7)	\$5,000	\$35,000	As incurred	As incurred	Suppliers, Utilities, etc.
Opening Inventory (Note 8)	\$15,000	\$30,000	As arranged	Before Opening	Suppliers designated or approved by us
Signage	\$15,000	\$55,000	As incurred	As incurred	Suppliers designated or approved by us
Professional Fees (Note 9)	\$15,000	\$80,000	As incurred	As incurred	Professionals - Attorneys, Accountant, Architect
Uniforms (Note 10)	\$2,000	\$8,000	Lump Sum	Before Opening	Suppliers designated or approved by us

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Computer, Point of Sale System and Annual Maintenance Contract, and Office Equipment and Supplies	\$25,000	\$40,000	As arranged	Before Opening	Suppliers designated or approved by us
Grand Opening Advertising (Note 11)	\$10,000	\$25,000	As incurred	As incurred	Suppliers designated or approved by us
Additional Funds – First 3 Months (Note 12)	\$15,000	\$90,000	As incurred	As incurred	Employees, Suppliers, Utilities
Construction Management Fee	\$0	\$20,000	As incurred	As incurred	Us
TOTAL (Excluding Real Estate Cost) (Note 13)	\$881,000 (Note 14)	\$2,276,500 (Note 14)			

Note 1: Travel and Living Expenses While Training. This range includes your initial cost for training your Crew and Management Team, including their transportation, lodging, meals and wages. This cost may vary due to the size of the Restaurant, hours of operation, and employee turn-over. You are responsible for making arrangements and paying expenses for you and your Management Team to attend the Management Training program, including transportation, lodging, meals, and wages. The amount expended will depend in part on the distance you must travel and the type of accommodations that you choose. This does not include any additional training that may be required of your Management Team. This estimate contemplates training of you and your Management Team for approximately 32 hours over four days in at a location we designate, and for seven to nine weeks at a Certified Training Restaurant designated by us and the training of your Crew for a period of up to eight days at your Restaurant.

Note 2: Rent - First Three Months. This estimate does not include pass-through expenses, such as property taxes, insurance or maintenance. Your actual costs will depend on the real estate market and the particular location of your Restaurant. You may also be required to provide a security deposit to your landlord. Typically, the security deposit will equal the rental payment for the first month of the lease term. This security deposit may be refundable under your agreement with your landlord. We must evaluate your Restaurant location, but we do not provide any assurances as to the success of the Restaurant established at a particular location. Typical locations for Restaurants may be near downtown areas, highways, malls, shopping centers, entertainment complexes and other commercial areas.

Note 3: Building. You must construct or renovate a building or existing space in an in-line center or mall to operate your Restaurant. If you are constructing or renovating a building, your architectural plans must conform to the specifications and designs

provided by us and must be approved by us. We may require you to engage an architect we approve to assist you in the initial design of the floor plan and exterior elevation of your building. We derive no remuneration from using an approved architect to create the initial floor plan and exterior elevation design. Whether any amount paid to an architect is refundable depends upon your agreement with the architect. In general, our specifications require a building approximately 4,500 to 6,500 square feet in size. The costs of construction and leasehold improvements depend upon the size and condition of the premises, the nature and extent of leasehold improvements required, the local cost of contract work and the location of the Restaurant. The method of your payment will largely depend on your financing.

Note 4: Furniture, Fixtures & Equipment (“FF&E”). You must obtain all the FF&E necessary for the operation of the Restaurant, including ovens, grills, fans, coolers, buffets, freezers, counters, tables, chairs and other items. You must obtain the FF&E from a supplier approved or designated by us. The initial investment required depends upon financing terms available, the size, type, and brand of FF&E purchased and other factors. Whether any amount paid for the FF&E is refundable depends upon your agreement with the particular supplier. You may also be able to lease some of the FF&E from an equipment-leasing business approved by us and listed on the Approved Suppliers List.

Note 5: Liquor License: The cost of your liquor license will depend primarily upon your locale, the availability of liquor licenses, the ability to move a license, and the market value of liquor licenses. Depending upon these factors, the cost of your liquor license may exceed the high amount in the estimated range disclosed by us, and may be greater than \$250,000. Some liquor licenses or permits may not be transferable or renewable. You should seek and retain local counsel familiar with the liquor license regulations in your area.

Note 6: Insurance. You must obtain, and maintain for the life of the Restaurant, insurance coverage at levels provided in our Operating Manuals, which we may change during the term of the Franchise Agreement. At this time, you must obtain Comprehensive General Liability Insurance including products liability coverage for bodily injury and property damage for an amount not less than \$1,000,000 per occurrence with \$2,000,000 aggregate; Owned, Non-Owned and Hired Automobile Liability Insurance for an amount not less than \$1,000,000 combined single limit; Building, Personal Property, and Leasehold Improvements Insurance if applicable, under an “all risk” property form with replacement costs endorsement in an amount equal to 100% of the values of these items; Business Interruption Insurance covering earnings on an “actual loss sustained basis” for a minimum of 12 months; or, if “actual loss sustained” coverage is not obtainable, you must obtain Business Insurance (an extra expense) coverage (utilizing a valuation that will include the equivalent of net income before taxes); Workers’ Compensation Insurance as required by law; Employers’ Liability Insurance for amounts not less than \$500,000 per accident, \$500,000 per employee, and \$500,000 policy limit; Liquor Liability Insurance for an amount not less than \$1,000,000 per occurrence with a \$2,000,000 aggregate; an Umbrella Liability Coverage for an amount not less than \$5,000,000 per occurrence; and Employee dishonesty coverage of not less than \$20,000 per occurrence; money and securities coverage of inside and outside of not less than \$10,000 per occurrence. Your deductible must be no more than \$10,000 per occurrence. You must obtain this insurance coverage from a reputable insurance company (with Best’s analytical

rating of “A” and the financial size category of VIII). You must include us as an additional insured on all applicable policies. You must provide to us on an annual basis evidence of the required insurance coverage by proper certificates of insurance. The insurance policies must require the insurer to provide us with at least 30 days’ written notice of any cancellation, non-renewal, or material changes in the policy. The amount estimated for your insurance for the Restaurant is for approximately 25% of an annual premium. The balance of the annual premium is generally payable over a nine-month period. The cost of insurance will vary based on factors such as physical assets, number of employees, square footage, contents of the Restaurant business, geographic location, and other factors bearing on the risk of exposure. Over the term of the Franchise Agreement, we may increase the levels of insurance required as market conditions change.

- Note 7: Miscellaneous Opening Costs. This range includes security deposits, utility costs, incorporation fees, and required licenses (including transfer of existing licenses). This range does not include any costs related to acquisition or transfer of a liquor license. Utility companies may require that you place a deposit before installing telephone, gas, electricity, cable, and related utility services. A typical utility security deposit is equal to one month’s expense. These deposits may be refundable under the agreements made with the utility companies.
- Note 8: Opening Inventory. This range includes the cost to obtain initial inventory of Menu Items, food products, beverages, paper products, cleaning supplies, and other materials used in the operation of your Restaurant, as well as other merchandise or products sold by the Restaurant. You must purchase your opening inventory from Approved Suppliers or according to our specifications as is further described in Items 8 and 9 of this Franchise Disclosure Document. Your expenditures for opening inventory may vary according to your anticipated sales volume and the current market prices. Generally, amounts paid to Approved Suppliers for inventory is not refundable. Some suppliers sell inventory on a C.O.D. basis, while some suppliers sell inventory on credit terms.
- Note 9: Professional Fees. This estimate includes your initial accounting fees, attorney fees for formation of a corporation or other business entity, and architect fees based on a remodel of an existing building rather than construction of a new building for your first Restaurant. Architect fees for construction may range from 5% to 15% of the construction costs. The amount of the architect fees may vary depending upon the architect you choose, the extent of the construction project, the local cost of contract work, the location of the Restaurant and other factors.
- Note 10: Uniforms. This range includes the cost of the uniforms that you must purchase for every employee. The cost of individual uniforms will vary depending on the position of the employee. Uniforms must be purchased from an Approved Supplier. Uniforms may also be purchased directly from us if available.
- Note 11: Grand Opening Advertising. We may, in our discretion, require you to retain a public relations firm to assist in organization and implementation of the Grand Opening Advertising. Grand Opening Advertising expenditures may vary due to the market costs and conditions in which the Restaurant is located. We will require you to spend between \$10,000 and \$25,000 on newspaper, direct mail, advertising, promotional items, and other media during your first 90 days of the operation of the Restaurant.

Such advertising and promotion will be designated as “Grand Opening Advertising”, which you must conduct according to the specifications set forth in the Operating Manuals. All Grand Opening Advertising expenditures must be approved by us before they are made. We reserve the right to collect your Grand Opening Advertising and expend those funds on your behalf.

Note 12: Additional Funds – First Three Months. This estimate includes your initial start-up working capital to cover operating expenses for a period of three months. These figures are estimates and we cannot guarantee that you will not have additional expenses in starting your Restaurant. We base these amounts on the average first three months of operation of all affiliate-owned Restaurants that have opened since 2000. Your costs will depend on factors such as: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for restaurants; the prevailing wage rate; competition; and the sales level reached during the initial phase of operation.

Note 13: Total. These figures are estimates only and it is possible that you may have additional or greater expenses during this period. Note that these estimates do not include the cost of real estate. You should review these estimates with a qualified business advisor who is familiar with the geographic area in which you will open your Restaurant. We require that you have at least 20% of your Estimated Initial Investment in equity and no more than 80% of your Estimated Initial Investment financed with debt.

Note 14: Excludes Real Estate Cost. We cannot accurately estimate the cost of purchasing real estate or leasing land because those costs vary greatly depending upon the location of the property, its condition, the state of the economy in general and the real estate market in particular, and the terms of the purchase. If you purchase real estate as part of your development of the Restaurant, your initial investment will include the cost of this purchase, which may make your initial investment higher than the range shown in this Item 7.

We relied on MOC’s years in operating bd’s Mongolian Grill® Restaurants and our experience in franchising bd’s Mongolian Grill® Restaurants to compile these estimates (see Item 1). These payments are not refundable unless otherwise noted. We do not offer direct or indirect financing to franchisees for any items.

This estimate does not include the amount of the Development Fee. If applicable, the amount of the Development Fee depends upon the number of Restaurants to be developed in your Territory. The Development Fee is equal to the Initial Franchise Fee for the first Restaurant to be developed under the terms of the Area Development Agreement and \$10,000 for each additional Restaurant that you have the right to own and operate under the Area Development Agreement.

You should review these estimates of your initial investment carefully with a business advisor before making any decision to purchase the franchise.

Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Restaurant according to our System. Our System may regulate, among other things: the types, models, and brands of fixtures, furniture, equipment, furnishings, and signs; products and supplies you must use in operating the Restaurant; unauthorized and prohibited food products, beverages and services; inventory requirements; and designated and approved suppliers.

Approved Products and Services. We may require you to purchase proprietary “bd’s Mongolian Grill®” equipment, inventory, products, services or merchandise from us or a supplier approved by us. You must purchase or lease all restaurant equipment, uniforms, proprietary apparel, proprietary promotional items, small wares, paper products, Menu Items, grocery items (including vegetables, fruits, meats, oils, spices, sauces, salad dressings, soups, desserts, coffees), alcoholic and non-alcoholic beverages, restaurant fixtures, cash registers or point of sale systems, computer systems, and furniture from a supplier approved by us (“Approved Supplier”).

We will provide you with a list of approved accountants, architects, contractors, manufacturers, suppliers and distributors (“Approved Suppliers List”) and approved inventory products, fixtures, furniture, equipment, signs, stationery, supplies, and other items or services necessary to operate the Restaurant (“Approved Supplies List”). These lists will specify the manufacturer, supplier and distributor and the inventory, products, fixtures, furniture, equipment, signs, stationery, suppliers and services that we have approved to be carried or used in the Restaurant. We may revise the Approved Suppliers List and Approved Supplies List. Any revisions to the approved lists will be given to you as we deem advisable. We are an approved supplier (but not the only approved supplier) of construction or remodeling management services. If you choose to use us, you will pay us a Construction Management Fee (see Item 5). None of our officers owns an interest in an Approved Supplier.

If you want to (i) offer for sale at the Restaurant any brand of product not then approved by us, (ii) use any brand of food ingredient or other material or supply in the operation of the Restaurant that is not then approved by us, or (iii) purchase any product from a supplier that is not then designated by us as an Approved Supplier, you must first notify us in writing and, if requested by us, submit samples and such other information as we require for examination and/or testing or to otherwise determine whether such product, material or supply, or such proposed supplier meets our specifications and quality standards. You must pay a charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test and approval of the proposed supplier or product. Our review is typically completed in 30 days. We reserve the right, at our option, to re-examine or re-test the facilities and products of any supplier of an approved item and to revoke such approval if such item fails to continue to meet any of our standards or criteria. We will send written notice of any revocation of an Approved Supplier.

All equipment, signs, fixtures, inventory, products and materials, and other items and supplies used in the construction and operation of your Restaurant that are not specifically required to be purchased in accordance with our Approved Supplies List and Approved Suppliers List must conform to the then-current specifications and quality standards established by us.

We approve suppliers that can match the exact ingredients, freshness standards, overall quality and appearance standards, and the manufacturing safety standards within their production facilities required by the System. We apply the following general criteria in approving a proposed supplier: (1) ability to make products in conformity with our specifications; (2) willingness to protect the trade secrets of a product without dissemination to others; (3) production and delivery capability; (4) reputation and integrity of supplier; (5) financial condition and insurance coverage of the supplier; (6) adherence to food safety standards; and (7) HACCP approved.

We may, but are not obligated to, negotiate arrangements with suppliers for your benefit. For example, we expect to negotiate better prices for supplies with the suppliers based upon larger volumes, and these price discounts would benefit you. Otherwise, there are currently no purchasing or distribution cooperatives. In the fiscal year ended January 3, 2021, we did not derive any revenue or material benefits based upon franchisees use of any required purchases from Approved Suppliers, nor do we provide any material benefits to you based upon your use of any required purchases from Approved Suppliers. We do not provide material benefits to you (for example, renewal or granting additional franchises) based upon your purchase of particular products or services or use of particular suppliers.

We (or an affiliate) may receive revenue, rebates or other material consideration from suppliers based upon purchases by our franchisees. At present, we do not receive and retain revenue from a designated supplier of sauces based upon purchases made by franchised and MOC-owned Restaurants. We (and our affiliates) reserve the right to receive, retain and utilize for any purpose we deem appropriate such payments from any designated or approved suppliers in the future.

Specifications and Standards. You will offer for sale and sell at your Restaurant all types of Menu Items and other categories of Foods, Products and Services that we authorize. You will not offer for sale or sell at the Restaurant any other category of products or use the Restaurant's premises for any purpose other than the operation of the Restaurant in full compliance with the Franchise Agreement and our Operating Manuals.

All Menu Items will be prepared only by properly trained personnel strictly in accordance with our recipes, specifications, cooking techniques and processes, and our Operating Manuals, and will be sold only at retail to customers in conformity with our Operating Manuals and the System.

You must maintain an inventory of ingredients, food and beverage products, and other products, materials and supplies which will be sufficient to operate your Restaurant at maximum capacity.

In the operation of your Restaurant, you must use only displays, trays, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as prescribed by our Operating Manuals.

If we develop and market special promotional items, you must maintain a representative inventory of such promotional items that may be available to you at our cost plus a reasonable mark up. You may purchase alternative promotional items provided that such alternative items meet our specifications and quality standards.

You must maintain and keep in force for the term of your Franchise Agreement insurance policies that meet our standards (see Item 7, Note 6).

Our standards and specifications are in our Operating Manuals and other written materials, which will be provided to you, which we can and do revise. We also reserve the right to consent to or require limited variations from our standards. Standards with our written specifications and requirements must be maintained by Approved Suppliers for their Approved Supplies.

Collectively, the purchases and leases described above are about 20% of your overall purchases and leases in establishing the Restaurant, and 80% of your overall annual purchases and leases in operating the Restaurant.

Item 9. FRANCHISEE’S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
A. Site selection and acquisition/lease	Franchise Agreement Article 1.3, Article 8 and Exhibit 1 Area Development Agreement Article 3	Items 7, 8 and 11
B. Pre-opening purchases/leases	Franchise Agreement Articles 5 and 8.3 Area Development Agreement Article 3.3	Items 7 and 8
C. Site development and other pre-opening requirements	Franchise Agreement Articles 5, 6, 7.8, 7.10, 7.11 and 7.37–7.40 Area Development Agreement Articles 3 and 5	Items 7, 8 and 11
D. Initial and ongoing training	Franchise Agreement Article 6 Area Development Agreement Article 5	Item 11
E. Opening	Franchise Agreement Article 6.8, 6.9 and 7.8,	Item 11
F. Fees	Franchise Agreement Articles 1.5, 2.3, 4.1-4.4, 6.3-6.5, 8.6 and 12.2 Area Development Agreement Articles 3.6, 4 and 9.4	Items 5 and 6

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
G. Compliance with standards and policies/ Operating Manuals	Franchise Agreement Articles 5, 7 and 8 Area Development Agreement Articles 3 and 5	Items 8 and 11
H. Marks and proprietary information	Franchise Agreement Articles 3, 7.21 and 9 Area Development Agreement Article 6	Items 13 and 14
I. Restrictions on products/services offered	Franchise Agreement Articles 5, 7.10 and 7.12	Item 16
J. Warranty and customer service requirements	Franchise Agreement Articles 7.1, 7.2, 7.6 and 7.13	
K. Territorial development and sales quotas	Area Development Agreement Article 3	Item 12
L. Ongoing product/service purchases	Franchise Agreement Articles 5, 7.10, 7.13 and 7.14	Item 8
M. Maintenance, appearance and remodeling requirements	Franchise Agreement Articles 7.15-7.17	Items 8
N. Insurance	Franchise Agreement Article 7	Items 7 and 8
O. Advertising	Franchise Agreement Articles 4 and 7.15-7.29	Items 6, 7 and 11
P. Indemnification	Franchise Agreement Article 14 Area Development Agreement Article 11	
Q. Owner's participation/ management/staffing	Franchise Agreement Articles 6, 7.20, 7.23 and 7.24 Area Development Agreement Article 5	Item 15
R. Records and reports	Franchise Agreement Articles 4.6-4.9	Items 6 and 8
S. Inspections and audits	Franchise Agreement Articles 4.10 and 7.9	Item 6

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
T. Transfer	Franchise Agreement Article 12 Area Development Agreement Article 9	Item 17
U. Renewal	Franchise Agreement Article 2	Item 17
V. Post-termination obligations	Franchise Agreement Article 11 Area Development Agreement Article 8	Item 17
W. Non-competition covenants	Franchise Agreement Article 13 Area Development Agreement Article 10	Item 17
X. Dispute resolution	Franchise Agreement Article 19 Area Development Agreement Article 16	Item 17

Item 10. FINANCING

Neither we, nor any of our agents, or affiliates offer direct or indirect financing for the Development Agreement, Franchise Agreement, Initial Franchise Fees, Development Fees, site acquisition, construction and remodeling, equipment or fixtures or opening inventory or supplies related to the Restaurant. Neither we, nor any of our agents or affiliates guarantee your note, lease or other obligations.

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

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

Assistance Before Opening. Before you open your Restaurant, we will:

1. Loan you a prototypical set of plans and specifications for the construction of a typical bd's Mongolian Grill® Restaurant (Franchise Agreement, Article 8.5). These prototypical plans and specifications will need to be altered to meet your space requirements at your cost and expense. Alterations must be reviewed by us. These prototypical plans and specifications are not intended to replace engineered stamp and sealed blue prints for the construction of your Restaurant.

2. Evaluate the location selected by you and designate your Designated Area for your Restaurant (Franchise Agreement, Articles 1.2 and 8.1). We do not select or approve the Site you select for your Restaurant (see below in this Item).
3. Loan to you a complete set of the Operating Manuals during the term of the Franchise Agreement. These manuals are confidential and remain our property. We may amend and revise the Operating Manuals in our discretion (Franchise Agreement, Articles 7.7 and 9.2).
4. Review all architectural drawings, and plans for construction, remodeling, and decorating of the premises for the Restaurant (Franchise Agreement, Articles 8.5 and 8.7).
5. Provide you with the Approved Suppliers List and Approved Supplies List from which you must purchase or lease all restaurant equipment, proprietary equipment, small wares, paper products, Menu Items, trade dress, grocery items, restaurant items, non-alcoholic beverages, restaurant fixtures, cash registers or point of sale systems, furniture and the like and provide you with written specifications for items not required to be purchased from vendors on the Approved Suppliers List (see Item 8; Franchise Agreement, Articles 5.1 and 5.4). We do not deliver or install these items.
6. Review your marketing plans and all promotional materials and advertising to be used by you (Franchise Agreement, Articles 4.5 and 7.25).
7. Give you on-site opening assistance, subject (as to scheduling) to the availability of our personnel. (Franchise Agreement, Article 6.9)
8. Train at a minimum you or your Representative (if not you), your Operating Manager (if applicable), your Unit General Manager and three Managers, and other managers if we deem necessary (the "Management Team") as follows (Franchise Agreement, Article 6.1):

MANAGEMENT TRAINING PROGRAM

Subject	Hours of Classroom Training	Days of On-the-Job Training	Location
Orientation; teammate position testing and training; manager function testing and training	40 - 80 hours (Note 1) (Note 3)	0	Location designated by us (Note 1)
"How to Effectively Run a Shift as the Manager on Duty"; Back of the House; Front of the House and Bar Areas of Responsibility; and individualized training based upon specific background, needs and responsibilities of trainees	0	30 - 40 days (Note 2) (Note 3)	Certified Training Restaurant; your Restaurant (Note 2)

Note 1: The classroom Management Training will be conducted at various times during the year as needed for a period of approximately 40 - 80 hours over one to two weeks, depending upon the trainees' experience with our System. The classroom

Management Training will generally be held at classroom facilities in the state where your Restaurant will be located. We do not charge you for the costs of the classroom Management Training, but you must pay the travel and living expenses for the Management Team to attend. All members of your Management Team are required to satisfactorily complete, as determined in our discretion, the classroom Management Training at least 40 days before the opening of the Restaurant. You are responsible for maintaining a fully trained and certified Management Team at all times, which means Managers you hire after the opening of your Restaurant will have to attend the Management Training program. We can charge you for this additional training. You will also be responsible for the employee's travel and living expenses and wages.

If you or your affiliates own three or more Restaurants, you must have one of your Restaurants approved by us as a Certified Training Restaurant as provided in the Operating Manuals.

Note 2: The Management Training will also include approximately 30 - 40 days of in-store Management Training at the closest Certified Training Restaurant designated by us and at your Restaurant. Your Management Team is required to be "certified" and satisfactorily complete, as determined in our discretion, the in-store Management Training. We may require one or more members of your Management Team to participate in additional training beyond the 30 - 40 days. We do not charge for this training, but you must pay travel and living expenses for you and your Management Team, as well as your Management Team's wages. Your Management Team must complete the Management Training at least 40 days before the opening of the Restaurant. For Management Team personnel hired after you open your Restaurant, we can charge for this Management Training, and you must also pay the travel and living expenses for the newly-hired Management Team personnel as well as their wages, to attend the Management Training in a Certified Training Restaurant.

Note 3: Becky Moldenhauer, is principally responsible for Management Training. Ms. Moldenhauer has been the Director of Training since March 2018, and had been our Senior Director of People and Training until March 2020. She was also previously the Operations Support Manager for our affiliate DK Group 2008 from January 2016 to March 2018. Additional employees or contractors of ours who have experience in facets of the operation of a bd's Mongolian Grill® Restaurant will assist Ms. Martin with the Management Training program.

9. Train your Crew as follows (Franchise Agreement, Article 6.3):

CREW TRAINING PROGRAM

Subject	Hours of Classroom Training	Days of On-the-Job Training	Location
Crew Training	(Note 1) (Note 2)	8 days (Note 2)	Your Restaurant (Note 3)

Note 1: The nature of the restaurant business dictates that all training be integrated with the operation of the Restaurant, so the training of our franchisees cannot be satisfactorily categorized by subject, time begun, or hours of classroom training. Your Crew must

begin its training no later than 10 days before the opening of the Restaurant for business. The Crew must consist of at least 90% of the staff required to open the Restaurant. The number of Crew members required to open the Restaurant is determined by us.

Note 2: The Crew Training will consist of approximately eight days of in-store training at your Restaurant. We do not charge for this training, but you must pay wages, employment related expenses, and travel and living expenses for your Crew, if necessary. We will pay for the wages and living expenses for our trainers during this period. We may, in our discretion, extend this period based on our assessment of the Crew's performance during the training period. If we determine that your Crew needs additional training, you are responsible for the additional training costs, including wages, travel, and living expenses of our staff.

Becky Moldenhauer is principally responsible for the Crew Training program (see Note 3 to the Management Training chart for additional information about Ms. Moldenhauer).

Assistance after Opening. During the operation of the Restaurant, we will:

1. Provide additional training to members in your Crew if we determine, in our sole discretion, that such individuals need additional training, and we may charge you our then-current per diem fee plus the travel and living expenses for our designated personnel providing this additional training. (see above and Franchise Agreement, Article 6.3).
2. Establish and maintain the Advertising and Promotion Fund and require that you contribute to the Fund, currently in the amount of 2% of Net Sales but up to a maximum of 6%. We will also assist you in the placement of local advertising. We must approve the use of all promotional materials and advertising before its use. We will also review your Local Advertising. (see below and Franchise Agreement, Article 4.4).
3. Make periodic visits to your Restaurant for consultation, inspections, assistance and guidance. Our representatives who visit your Restaurant will provide counsel and advice on marketing operations, cost management, and other pertinent issues to help you operate your Restaurant. They will also prepare written reports outlining any suggested changes or improvements in the operation of your Restaurant or describing any defaults that become evident. You will receive a copy of this written report from us. Inspections will be conducted to determine your compliance with our System. You must achieve a particular grade or score on such inspection as required by the Operating Manuals. Failure to achieve these satisfactory scores or grades may result in a default notice (Franchise Agreement, Articles 7.9 and 10.4).
4. Organize and implement Franchisee Meetings to which you, your Unit General Manager, Managers or other key employees, as we determine, are required to attend. You are responsible for the travel and expenses associated with the Franchisee Meetings. The locations of the Franchisee Meetings will be determined by us. Topics of such Franchisee Meetings will include operational issues, "best practice" sharing, new product/service presentations, Operating Manuals amendments, and other topics chosen by us (Franchise Agreement, Article 6.10).

5. Periodically provide you with an updated Approved Suppliers List and Approved Supplies List (Franchise Agreement, Articles 5.1 and 7.10).
6. Undertake such review, inspection or testing as we deem necessary of any unapproved item or supplier proposed by you for use in your Restaurant (Franchise Agreement, Article 5.2).

Any training provided by us to any of your employees will be limited to training or guiding employees regarding the delivery of approved menu items and services to customers in a manner that reflects the customer service standards of the System. You are, and will remain, the sole employer of your employees during all training programs, and you will be solely responsible for all employment decisions and actions related to your employees. You are responsible for ensuring that your employees receive adequate training.

Advertising.

You must currently spend at least 3% of your Restaurant's Net Sales on advertising, currently allocated as follows: (i) 1% of Net Sales on local advertising; and (ii) 2% of Net Sales to the Fund. We may reallocate the proportion of those monies directed to local advertising and to the Fund. We may increase the amount you must contribute to the Fund, up to a maximum of 6% of your Restaurant's Net Sales, and we may require you to allocate to the Fund all or part of your required local advertising expenditures. If you fail to spend your required minimum amount of Net Sales for your Restaurant on local advertising, you must pay any deficiency to us as an additional Service Fee. The Fund Fee must be paid in the same manner as the Service Fee payment (Franchise Agreement, Article 4.4.B.) Some of our current franchisees may only be obligated to contribute to the Fund at a lower rate that is lower than what you are required to contribute based upon the form of franchise agreement that they signed.

We must approve all Local Advertising before you use it. You must provide us with copies of your proposed advertising, and we will approve or disapprove the advertising within 30 days after our receipt. If we do not respond, the advertising is approved. You may determine the timing, manner, media and supplier for each advertisement with our approval. You will not be required to participate in a local or regional advertising cooperative.

We direct all advertising programs and we have the right to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Restaurants operating under the System. For Restaurants we or our affiliates operate in the United States, we or our affiliates will contribute to the Fund on the same basis as you. In administering the Fund, we and our designees have no obligation to ensure that the expenditures for advertising placement are approximately proportional to each franchisee's contributions to the Fund within any given territory or designated area (as that term is defined in each franchisee's respective Franchise Agreement).

We or our designee may use the Fund to satisfy the costs of maintaining, administering, directing and preparing advertising, including the cost of preparing, developing, producing and conducting television, radio, magazine and newspaper advertising campaigns, direct mail and outdoor billboard advertising, web-based marketing programs, email marketing databases, public relations activities, employing advertising and public relations agencies, employing our personnel for advertising, marketing, and public relations campaigns and projects that we administer or prepare internally, and any other expenditures for marketing activities. We will

account for all sums you pay to the Fund separately and will not use them to defray any of our general operating expenses, except for reasonable administrative costs and overhead, if any, that we may incur in the administration or direction of the Fund and advertising programs for you and the System. We operate the Fund solely as a conduit for collecting and expending the contributions to the Fund as outlined above. We will spend any sums paid to the Fund that are not spent in the year they are collected in subsequent years.

We prepare an annual unaudited statement of the operations of the Fund that is made available to you within six months after the end of our fiscal year. We are not required to have the Fund statements audited. These statements will be made available to you upon your written request. In 2020, the funds in the Fund were spent on:

Production Costs	50%
Media Placement	40%
Administrative Expenses	10%
TOTAL	100%

Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors (including those Restaurants operated by us or our affiliates) without interest, on the basis of their respective contributions.

We currently advertise the Restaurants and the products offered by the Restaurants in various forms of media, including: television, radio, magazine and newspaper advertising campaigns; and direct mail and outdoor billboard advertising. Some of our advertising is developed by members of our staff. Other advertising is developed by third party contractors. Franchisees have no input into the use of the Fund, and there is no formal advertising council composed of franchisees that advises us on advertising policies. However, franchisees are invited to participate in bi-annual meetings where advertising policies may be discussed.

We will not use any funds in the Fund principally for soliciting the sale of franchised Restaurants.

Except as described above, we have no obligation to spend any amount on advertising in the area where your Restaurant is located.

Computer System.

You must obtain and use in your Restaurant a computer-based point-of-sale cash register ("POS") system and "back of office" Microsoft Windows compatible computer system ("Computer System"). The Computer System will generate reports on sales and expenses of the Restaurant, and currently costs about \$10,000 to \$35,000. You may obtain the Computer System from any vendor so long as the Computer System meets our requirements. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the Computer System. Neither we nor any affiliate or third party is obligated to provide ongoing maintenance, repairs, upgrades or updates for your Computer System. We currently do not require that you purchase a maintenance, repair, upgrade or update service contract for the Computer System, but we reserve the right to do so in the future. The current annual cost of a service contract is about \$6,000.

You must purchase an approved POS system that meets our then-current standards and specifications, which we may require to be from an Approved Supplier. The POS system may allow for the implementation of system-wide programs, such as the gift card programs implemented by us.

Due to rapid technological changes and progress, the above specifications may change without notice. The Computer System is not proprietary to us or our affiliates. The Computer System provides you with the ability to communicate via high-speed dedicated broadband connection with POS support, credit card vendors, gift card vendors, and to transmit credit card transactions, gift card transactions, sales reports, tax reports, various product usage reports and cashier reports that are available by us to review at any time. You are responsible for the ongoing maintenance and repairs for your Computer System. We estimate the annual maintenance and repairs to the Computer System will average \$5,000 per year, or 15% of the costs of the system, but this may vary significantly for each franchisee. We estimate the annual costs for connection and support of the Mymicros.net information portal is approximately \$1,250 to \$2,000 per year, depending on the configuration of your Computer System.

We may require you to update your Computer System, at our discretion, once every five years. There is no contractual limitation on the cost of this obligation. We need not reimburse you for any of these costs. We may format bookkeeping reports and forms for you to report financial information. You must report your financial information using the required forms which we can change.

All Net Sales and all sales information must be recorded on the Micros POS system equipment. This equipment provides you with sales reports, tax reports, various product usage reports, and cashier reports. We intend to have independent access to this information, and you consent to such access. There are no contractual limits on our right to independently access the data. You are required to provide the sales information to us as required in the Operating Manuals.

Selection of Restaurant Location.

You must purchase or lease the Site for your Restaurant, subject to our evaluation, selected by you with the assistance of a commercial real estate broker of your choosing with experience or expertise in selecting real estate sites in the geographic area where your Restaurant will be located. You must submit to us a description of the proposed site, together with evidence satisfactory to us that confirms your favorable prospects for obtaining the proposed site. You must comply with the requirements of the Operating Manuals that outline all of the information needed by us to review a proposed site. We will give you our written evaluation of the proposed Site within 30 days after receiving your written proposal. The factors we consider in evaluating a proposed site may include the following: (1) general location; (2) traffic patterns; (3) rent expense; (4) demographics; (5) equipment and services located at the Site; (6) leasehold improvement costs; (7) ability to reflect image to be portrayed by bd's Mongolian Grill® Restaurants; and (8) parking. We may cancel the Franchise Agreement if you fail to select and purchase or lease the Site for your Restaurant within six months after the date of the Franchise Agreement.

If you sign an Area Development Agreement, you must purchase or lease a Site for each Restaurant in accordance with our then-current standards and specifications as described in the Operating Manual and applicable franchise agreement for such Restaurant. We will evaluate the proposed Sites for each Restaurant.

Timing of Restaurant Opening.

Franchisees typically open their franchised Restaurants within 9 months after signing the Franchise Agreement. Factors that may influence the length of time until opening include, by way of example, your ability to obtain a lease, a liquor license, a building site and a site survey, acceptable financing, or zoning and building permits; your compliance with local ordinances or other community requirements; the effect of weather conditions; shortages; slow delivery of signs, materials or equipment; and other factors bearing on completion of construction, decorating, purchasing and installation of equipment, fixtures and signs. We have the discretion to approve the date of opening for the Restaurant.

Operating Manuals.

You may only use the Menu Items, food, beverages, spices, supplies, paper products, equipment, decor, uniforms, building, signage, and other items used in the operation of a Restaurant from sources approved by us. The Operating Manuals contain the proprietary and confidential standards, specifications, and procedures for the operation of your Restaurant. You will be allowed to review a copy of the Operating Manuals before you sign the Franchise Agreement. The Operating Manuals are loaned to you for the operation of your Restaurant during the term of the Franchise Agreement. We have the right to modify, change, eliminate or supplement the Operating Manuals at any time.

Item 12. TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, for outlets that we own, or from other channels of distribution or competitive brands that we control. The limits on your territorial rights under the Franchise Agreement and the Area Development Agreement are described below in this Item.

Your Franchise Agreement gives you the right to operate a single Restaurant and utilize our Marks at a single location in the area described in Exhibit 1 of the Franchise Agreement (the "Designated Area"). The Designated Area will typically range from a minimum area of zero (limited to your Restaurant property) to a maximum area of the area within five miles from the Restaurant. In certain instances, such as the existence of physical boundaries like rivers, multi-lane highways, and the like, the size of the Designated Area may be greater or less than five miles. We determine the size of Designated Areas based on various factors, such as population and development density, demographics, traffic patterns, existing Restaurant locations and the viability of those locations, competition, proximity to shopping centers and market feasibility. A smaller Designated Area is typically offered in Metropolitan Statistical Areas with a population of 1,000,000 or more, and a larger Designated Area is typically offered in less densely populated areas.

If you sign an Area Development Agreement, the Area Development Agreement gives you the right to establish an agreed upon number of bd's Mongolian Grill® Restaurants in a specified geographic area, subject to certain exclusions described below (the "Territory"). We describe your Territory by boundary streets, highways or other recognizable demarcations and delineate it on a map attached as part of the Area Development Agreement. If you are not in default under the Area Development Agreement, we will not establish or allow franchisees to establish bd's Mongolian Grill® Restaurants in your Territory during the term of the Area Development Agreement. We can terminate or modify your rights in the Territory if you do not comply with the Area Development Agreement or any other agreement you have with us. If we terminate or

modify your territorial rights under the Area Development Agreement or your Area Development Agreement expires or terminates, you will have any territory rights we gave you under any individual Franchise Agreement that you signed for a particular Restaurant. Once the Site for a Restaurant has been determined by you and approved by us, we will designate the Designated Area for that Restaurant based upon our then-current standards and specifications.

Within your Designated Area, and so long as you are not in default under your Franchise Agreement or other agreement you have with us, neither we nor our affiliates have or will grant franchises or operate company-owned or affiliate-owned restaurants using our Marks. In addition, neither we nor our affiliates may operate other franchises or company-owned outlets selling or leasing similar products or services under a different trade name, service mark, or trademark within your Designated Area. Nevertheless, under either the Area Development Agreement or the Franchise Agreement, enclosed malls, institutions (such as hospitals, schools or military bases), airports, airport properties, parks (including theme entertainment, or amusement parks), major office complexes, casinos and sports arenas, will be excluded from your Territory or Designated Area, and we may open other restaurants, or franchise the right to open restaurants to other persons at any of these locations, regardless of the name under which they operate and the products they sell. We and our affiliates also have the right to grant or operate other franchises outside of your Designated Area even if they compete for customers within your Designated Area. If the Restaurant is located in an enclosed mall, institution, airport, large office complex, park or sports arena, then your Designated Area will be limited to the confines of that mall, institution, airport, office park, park or sports arena.

Except as expressly limited by the preceding paragraphs, we and our affiliates retain all rights to operate bd's Mongolian Grill® Restaurants, to use the Marks, to sell similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including:

1. The right to establish and operate, and to grant to others the right to establish and operate, similar businesses or any other businesses offering products and services through any channels of distribution, at any locations inside or outside your Territory or Designated Area under Marks or service marks other than the Marks, and on any terms and conditions we deem appropriate;
2. Without providing compensation to you, the right to provide, offer and sell and to grant others the right to provide, offer and sell, goods and services that are identical or similar to and/or competitive with those provided at bd's Mongolian Grill® Restaurants, whether identified by the Marks or other marks or service marks, through channels of distribution different from yours, including grocery stores, convenience stores, and the Internet or similar electronic media) both inside and outside your Territory or Designated Area and on any terms and conditions we deem appropriate;
3. The right to establish and operate, and to grant to others the right to establish and operate, businesses offering products and services different from yours, both inside and outside your Territory or Designated Area under the Marks and on any terms and conditions we deem appropriate;
4. The right to operate, and to grant others the right to operate bd's Mongolian Grill® Restaurants located anywhere outside your Territory or Designated Area under any terms and conditions we deem appropriate and regardless of the proximity to the Restaurant;

5. The right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at bd's Mongolian Grill® Restaurants, 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 in your Territory or Designated Area); and
6. The right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at bd's Mongolian Grill® Restaurants, or by other business, even if such business operates, franchises and/or licenses competitive businesses in your Territory or Designated Area.

We are not required to pay you if we exercise any of the rights specified above inside your Territory or Designated Area.

You must receive our approval before relocating your Restaurant. In determining whether to allow you to relocate your Restaurant, we consider the same factors we would consider in initially reviewing a site for your Restaurant. In addition, we consider such factors as whether you have:

1. Defaulted under your Franchise Agreement;
2. Proposed a new location that infringes upon or located within the protected area of any existing or proposed location for a Restaurant or the protected area of any other Franchisee, area developer, master franchisee or subfranchisee of Restaurants;
3. Proposed a new location that is within 20 miles of any Restaurant or other restaurant owned or operated by us or any of our affiliates;
4. The ability to open your Restaurant at the new location within four months after closing your Restaurant at the initial location;
5. Selected a new location that complies with our then-current image, décor, standards and specifications;
6. Agreed to pay us a Relocation Fee of \$3,000 on the date that we approve your request to relocate; and
7. Agreed to pay us a minimum Service Fee of \$3,000 for each month that your Restaurant is not open during the relocation process.

You may not establish additional Restaurants within or outside of your Designated Area without purchasing an additional franchise from us.

You are not restricted from soliciting sales or accepting orders from outside of your Designated Area or Territory. You must comply with the Development Schedule in the Area Development Agreement. Otherwise, continuation of your Designated Area or Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency, and there are no conditions under which your Designated Area or Territory may be altered by us.

On reacquisition or transfer of a franchise, the Designated Area may be modified. Depending on the then-current demographics of the Designated Area, and on our then-current standards for determining Designated Areas, if the Designated Area is larger than our then-current standard Designated Area, we may require you or the transferee to accept a reacquisition Designated Area or a transfer Designated Area smaller than the current Designated Area.

You have no options, rights of first refusal, or similar rights to acquire additional franchises.

In 2016, our former parent holding companies acquired the Flat Top Grill® restaurant chain, which is now owned by DK Group 2008, Inc. At Flat Top Grill® restaurants, customers choose fresh vegetables and proteins that are then prepared on open flat top grills to the customers' tastes and preferences. As of December 31, 2020, there were 5 company-owned Flat Top Grill® restaurants; 3 in Illinois and 2 in Indiana. There are no franchised Flat Top Grill® restaurants. There are no current plans to franchise the Flat Top Grill® concept; however, this may occur in the future. The bd's Mongolian Grill® and Flat Top Grill® restaurant concepts currently have the same business address, but do not share training facilities.

In 2017 our ultimate parent company, MC, acquired the GENGHIS GRILL® restaurant chain. As described in Item 1, the franchisor of GENGHIS GRILL® restaurants is GGFC. GENGHIS GRILL® restaurants specialize in Mongolian barbecue and feature "build-your-own-bowls" of stir-fry cuisine, signature alcoholic beverages, desserts, and related items. GENGHIS GRILL® restaurants are similar to the Restaurants offered under this Disclosure Document, but they operate under a different franchise system and different trademarks. As of December 31, 2020, there were 30 GENGHIS GRILL® restaurants operated by affiliates of GGFC, and 21 GENGHIS GRILL® restaurants operated by franchisees. GENGHIS GRILL® restaurants operate nationwide. The bd's Mongolian Grill® and GENGHIS GRILL® restaurant concepts also currently have the same business address, but do not share training facilities.

To the extent that a Flat Top Grill® or GENGHIS GRILL® restaurant may be located within the same market area as a bd's Mongolian Grill® Restaurant, like all restaurants, they will compete for customers by offering food and beverage products. bd's Mongolian Grill® Restaurants, GENGHIS GRILL® restaurants, and Flat Top Grill® restaurants, whether franchised or company-owned, are free to advertise, solicit and accept orders from any customers regardless of your Territory or Designated Area. We have not established a method under which conflicts regarding territory, customers or support are resolved. Existing GENGHIS GRILL® restaurants may be located in the same market area as a franchised bd's Mongolian Grill® Restaurant. Although not contractually prohibited from doing so, it is our affiliate's intention to refrain from locating a Flat Top Grill® or GENGHIS GRILL® restaurant in the same market area as a franchised bd's Mongolian Grill® Restaurant.

Item 13. TRADEMARKS

Subject to the terms and conditions of the Franchise Agreement, we grant you a non-exclusive, non-transferable license to use the bd's Mongolian Grill® service mark and other Marks in connection with the operation of your Restaurant. For purposes of this Franchise Disclosure Document, "Marks" includes names, trade names, marks, service marks, logos, insignias, trade dress, copyrighted material, and other commercial symbols that are authorized for use by us.

The following Marks are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date
bd’s Mongolian Barbeque®	1,985,482	July 9, 1996 ⁽¹⁾
We do it on a Grill®	2,020,605	December 3, 1996 ⁽¹⁾
bd’s®	2,064,907	May 27, 1997 ⁽¹⁾
bd’s Mongolian Barbeque® (and design)	2,532,010	January 22, 2002 ⁽¹⁾
You Rule!®	2,714,403	May 6, 2003 ⁽¹⁾
bd’s Mongolian Grill®	3,555,347	December 30, 2008
bd’s Mongolian Grill since 1992®	3,912,965	February 1, 2011

Note 1: The registrations for these Marks have been renewed.

All required affidavits for the above-listed Marks have been filed when due. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceeding, and no pending material litigation involving the Marks.

There are no agreements currently in effect which significantly limit our rights to use the Marks or to license the use of the Marks to you. To our knowledge, there are no infringing uses which could materially affect your use of the licensed Marks or other related rights in any state.

You must provide us with written notice of any claims made against or associated with the Marks. You must also immediately notify us in writing of any claim, demand, or suit concerning any attempt by others to use any Marks that are licensed to you.

We are obligated under the Franchise Agreement to protect your right to use the Marks and to protect you against claims of infringement and unfair competition with respect to the Marks. We will determine whether affirmative action is necessary and control any administrative proceedings or litigation involving the Marks. If we defend or prosecute any such claim, you will participate by executing any and all documents and cooperating as may be necessary to carry out our defense or prosecution of the claim in the opinion of our legal counsel. However, if anyone establishes to our satisfaction that its rights are, for any legal reason, superior to our rights as to any of the Marks, then you must use the variances or other service marks, marks or trade names required by us to avoid a conflict with the superior rights.

We reserve the right to adopt new Marks at any time, or to change its existing Marks. If we adopt new Marks, or change our existing marks, you must use the new or modified Marks, and discontinue the use of any Marks we decide to change or discontinue. You must pay for these changes.

Upon termination of this franchise for any reason, you will immediately discontinue all use of Marks or any confusingly similar Marks.

Item 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights:

We do not own any patents.

We own a registered copyright in the following material:

Copyright	Registration Number	Registration Date
Orientation Manual	TX 827-988	November 28, 1997

We claim common law rights and copyright protection for all of our Operating Manuals, promotional materials, training materials, menus and other documents used in connection with the offer, sale, and operation of your Restaurant. The Franchise Agreement grants you the right to use these copyrighted materials for the term of the Franchise Agreement.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the above-mentioned copyrights in any manner material to you.

In the event of any infringement or a challenge to your use of any of our Operating Manuals or other materials, you are obligated to immediately notify us and we will have the right to take the actions we deem appropriate.

If it becomes advisable at any time to modify or discontinue use of any copyright and/or use one or more additional or substitute copyrights, you are obligated to do so and our sole obligation in any such event will be to reimburse you for your tangible costs (such as ordering new printed materials) of complying with this obligation.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, our right or interest in our copyrights, trade secrets, methods, and procedures which are part of our business or contest our sole right to register, use or license others to use such copyrights, trade secrets, methods, and procedures.

Our Operating Manuals and other materials contain our Confidential Information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; recipes; Menu Items, training and operations materials; methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating bd's Mongolian Grill® Restaurants; marketing and advertising for bd's Mongolian Grill® Restaurants; any computer software of similar technology that is proprietary to us or the System; knowledge of specifications for and suppliers of Approved Supplies or Menu Items; knowledge of the operating results and financial performance of bd's Mongolian Grill® Restaurants other than your Restaurant; and graphic designs and related intellectual property.

All ideas, concepts, techniques, or materials concerning a bd's Mongolian Grill® Restaurant, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system and works made-for-hire for us. To the extent that any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all

related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

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

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

We do not require that you personally supervise the Restaurant. If the Franchisee is an entity, the Franchise Agreement requires you to appoint a Representative who is an Owner of the Franchisee to act on behalf of the Franchisee. Your Representative must sign the Guaranty attached to the Franchise Agreement and must at all times own an equity interest in the Franchisee. All Owners of the Franchisee must personally guarantee the performance of the Franchisee under the Franchise Agreement. The Restaurant must be directly supervised “on premises” by a Unit General Manager approved by us and who has successfully completed our Management Training program. The Unit General Manager is not required to have an ownership interest in the Franchisee.

If you sign an Area Development Agreement, we do not require you to supervise the development of Restaurants in the Territory. If the Developer is an entity, the Area Development Agreement requires you to appoint a Representative who is an Owner of the Developer to act on behalf of the Developer. The Area Development Agreement also requires the Developer to appoint an Operating Manager to oversee the development of Restaurants in the Territory within 60 days after the Developer signs the Franchise Agreement for the third Restaurant to be developed by the Developer in its Territory. The Operating Manager cannot have an interest or business relationship with any of our business competitors, and must maintain his or her primary residence within 50 miles of the Restaurants. The Operating Manager must devote his or her full time and best efforts to the operation of the Restaurants. Neither the Representative nor the Operating Manager may be a Unit General Manager. All Owners of the Developer must personally guarantee the performance of the Developer under the Area Development Agreement.

All persons who sign the Guaranty personally and unconditionally (1) guarantee to us and our successors and assigns that you will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement or Area Development Agreement; and (2) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement or Area Development Agreement. All persons who sign the Guaranty waive: (i) acceptance and notice of acceptance by us of these undertakings; (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (iv) any right to require that an action be brought against you or any other person as a condition of liability; (v) all rights to payments and claims for reimbursement or subrogation arising as a result of such person’s execution of and performance under the Guaranty; and (vi) all other notices and legal or equitable defenses to which such persons may be entitled in their capacity as guarantors.

The Owners and all of your employees who have access to our Confidential Information will be required to execute a confidentiality and nondisclosure agreement and covenant not to compete in a form acceptable to us.

Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer only those Foods, Products and Services authorized by the Operating Manuals or previously approved in writing by us. Our written consent must be obtained before the placement of any newspaper racks, vending machine, video game, gaming machines, rides, or other such equipment on or off the premises of the Restaurant. Any effort to cater or do business outside of the Restaurant must be approved by us.

We have the right to require you to sell additional authorized Foods, Products and Services. There are no limits on our right to do so except that the investment required of you (for equipment, supplies, and inventory) will not generally exceed \$30,000 for inventory on hand.

We do not impose any restrictions or conditions that limit your access to customers or limit the customers to whom you may sell Foods, Products or Services. You are not limited in the geographical area in which you may offer or sell Foods, Products or Services, but you may not open or operate another bd’s Mongolian Grill® Restaurant within your Designated Area or elsewhere without purchasing an additional franchise. You are prohibited from selling prepackaged food products or other trademarked items from locations outside the Restaurant, such as in grocery stores or convenience stores or through other channels of distribution such as the Internet. We retain those rights.

You must use the Restaurant solely for the purposes of operating a bd’s Mongolian Grill® Restaurant using the System.

Item 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Franchise Agreement

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
A. Length of the franchise term	Article 2.1	20 years
B. Renewal or extension of term	Article 2.2	If you satisfy requirements, you may reacquire for one 10-year term

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
C. Requirements for franchisee to renew or extend	Article 2.2	Give timely notice, current with all payment obligations, not currently in default of Agreement, sign new agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights; remodel and make improvements required by us; receive satisfactory review by us in most recent consultation report; complete manager retraining satisfactorily; demonstrate to our satisfaction that you have secured the right to occupy the approved site for the entire renewal term; execution of release by you (Exhibit M); and pay renewal fee
D. Termination by franchisee	Not Applicable	Agreement can be terminated on any grounds available by law
E. Termination by franchisor without cause	Not Applicable	
F. Termination by franchisor with cause	Articles 10.1, 10.2, 10.3 and 10.4	We can terminate only with cause
G. "Cause" defined — curable defaults	Articles 10.3 and 10.4	You have 30 days to cure: breach of Franchise Agreement or Operating Manuals; failure to obtain suitable location within six months after signing Agreement; failure to open within 12 months after signing Agreement; failure to obtain prior written approval of transfer; failure to maintain active services of approved Representative, Operating Manager (if applicable) or Unit General Manager; guarantor discontinues or limits liability under guaranty; or any other default listed in Articles 10.3 and 10.4. You have 5 days to cure non-payment of Fees
H. "Cause" defined — non-curable defaults	Articles 10.1 and 10.2	Non-curable defaults include: bankruptcy; a plan of liquidation, reorganization, composition or arrangement of franchisee's affairs; the appointment of a receiver for franchisee; the making of an assignment for the benefit of creditors; any execution, attachment or other creditors' process issued against franchisee or its assets; danger to public health; order from regulatory body to cease operation or return any license; failure to satisfy judgment; falsification of required report; failure to remain open for two or more consecutive days; failure to re-open after casualty in a reasonable time; remaining in default beyond cure period; breach of same or similar provision of Agreement three or more times in 12 months; conviction of felony; abandonment; Mark misuse; unapproved transfers; breach of another agreement with us or an affiliate that is not cured or cannot be cured; breach of lease that is not cured; and failure to timely renew lease for your Restaurant for term of Franchise Agreement

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
I. Franchisee's obligations on termination/nonrenewal	Article 11; see also Confidentiality and Nondisclosure Agreement and Covenant Not to Compete (Exhibit D)	Payment of amounts due; complete de-identification; return of our property, proprietary and confidential information, furniture, fixtures and equipment; allow final inspection by us; grant us option to acquire equipment leases, equipment, and inventory if we exercise option to acquire real estate
J. Assignment of contract by franchisor	Article 12.1	No restriction on our right to assign if obligations are performed or reasonable
K. "Transfer" by franchisee — defined	Articles 12.2 and 12.3	Includes transfer of contract or assets or ownership changes
L. Franchisor approval of transfer by franchisee	Article 12.2	We have the right to approve all transfers
M. Conditions for franchisor approval of transfer	Articles 12.2 and 12.3	Adequate character, business experience, and credit rating of transferee; payment of amount due to us; satisfactory completion of training program by transferee; execution of release by you (Exhibit M); transfer fee paid; current Franchise Agreement and other related agreement signed by transferee
N. Franchisor's right of first refusal to acquire franchisee's business	Article 12.5	We will have the right of first refusal with respect to any bona fide written offer to purchase your Restaurant
O. Franchisor's option to purchase franchisee's business	See Real Estate Option to Purchase Agreement; Lease Rider (Exhibits E and F)	Real Estate Option to Purchase grants us the right to purchase within 15 days after the termination or expiration without reacquisition of the Franchise; Lease Rider grants us the option to cure your default under the Lease and/or assume operation of the Restaurant
P. Death or disability of franchisee	Article 12.4	Franchise must be transferred by your estate to an approved buyer within 90 days
Q. Non-competition covenants during the term of the franchise	Article 13.1; see also Section 6 of Confidentiality and Nondisclosure Agreement and Covenant Not to Compete (Exhibit D)	You may not have direct or indirect involvement in any Competing Business
R. Non-competition covenants after the franchise is terminated or expires	Article 13.1; see also Section 6 of Confidentiality and Nondisclosure Agreement and Covenant Not to Compete (Exhibit D)	No direct or indirect involvement in any Competing Business within 20 miles of your designated territory or within 20 miles of any other bd's Mongolian Grill® Restaurant for two years
S. Modification of the agreement	Article 21.4	No modifications of the terms of this Agreement will be valid unless agreed to in writing

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
T. Integration/merger clause	Article 21.4	Only the terms of the Franchise Agreement and other related agreements are binding (subject to state law). Any representations or promises made outside the Disclosure Document and the Franchise Agreement may not be enforceable
U. Dispute resolution by arbitration or mediation	Article 19.2 and 19.3	We have the right to require the parties to submit any claim or dispute to non-binding mediation Subject to our right to seek injunctive relief, all claims or disputes not resolved by mediation (if exercised) must be submitted for arbitration
V. Choice of forum	Article 19.6	Mediation and arbitration at the AAA offices located in the city where our principal business office is located at the time mediation and/or arbitration occurs Venue for any other proceeding is the courts in the county in which we maintain our principal business office (subject to applicable state law)
W. Choice of law	Article 21.1	Law of the state in which the Restaurant is located (subject to applicable state law)

Area Development Agreement

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
A. Length of the development term	Article 1.7	Agreement automatically expires on the date for the last Restaurant to be opened as specified on the Development Schedule
B. Renewal or extension of term	Not Applicable	
C. Requirements for developer to renew or extend	Not Applicable	
D. Termination by developer	Not Applicable	Agreement may be terminated on any grounds available by law
E. Termination by franchisor without cause	Not Applicable	
F. Termination by franchisor with cause	Articles 7.1, 7.2 7.3, and 8.3	If you commit any Event of Default (as defined in the Area Development Agreement), subject to certain restrictions and requirements. We may terminate the Area Development Agreement if you default under another agreement with us or our affiliate. Termination of the Area Development Agreement will not affect any then-existing Franchise Agreements.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
G. "Cause" defined - curable defaults	Article 7.3 and 8.3	You have 30 days to cure: material breach of Area Development Agreement; failure to obtain prior written approval of transfer; failure to maintain active services of approved Representative or Operating Manager (if applicable); guarantor discontinues or limits liability under guaranty; or any other default listed in Article 7.3 including breach of any Franchise Agreement which you do not cure within the time permitted under Franchise Agreement. We may terminate the Area Development Agreement if you default under another agreement with us or our affiliate. Termination of the Area Development Agreement will not affect any then-existing Franchise Agreements.
H. "Cause" defined – non-curable defaults	Article 7.1, 7.2, and 8.3	Same as Franchise Agreement We may terminate the Area Development Agreement if you default under another agreement with us or our affiliate. Termination of the Area Development Agreement will not affect any then-existing Franchise Agreements.
I. Developer's obligations on termination or nonrenewal	Article 8.1	You may not develop additional Restaurants in the Territory, but you may complete development of and/or operate Restaurants under then-existing Franchise Agreements subject to the terms and conditions of those Franchise Agreements
J. Assignment of contract by franchisor	Article 9.1	No restriction on our right to assign if obligations performed or reasonably provided for
K. Transfer by developer - definition	Articles 9.3 and 9.4	Includes transfer of agreement or assets or ownership changes
L. Franchisor's approval of transfer by developer	Article 9.3	We have the right to approve all transfers
M. Conditions for franchisor's approval of transfer	Articles 9.3 and 9.4	Same as Franchise Agreement
N. Franchisor's right of first refusal to acquire business	Article 9.6	We can match any offer for your business
O. Franchisor's option to purchase business	None	
P. Developer's death or disability	Article 9.5	Same as Franchise Agreement
Q. Non-competition covenants during the term of the Area Development Agreement	Article 10.1	No direct or indirect involvement in any Competing Business

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
R. Non-competition covenants after the agreement is terminated or expires	Article 10.1	Same as Franchise Agreement
S. Modification of the agreement	Article 17.4	No modifications of the terms of the agreement will be valid unless agreed to in writing
T. Integration/merger clause	Article 17.4	Only the terms of the Area Development Agreement and other related agreements are binding (subject to state law). Any representations or promises made outside the Disclosure Document and the Area Development Agreement may not be enforceable
U. Dispute resolution by arbitration or mediation	Article 16.2 and 16.3	Same as Franchise Agreement
V. Choice of Forum	Article 16.6	Mediation and arbitration at the AAA offices located in the city where our principal business office is located at the time mediation and/or arbitration occurs Venue for any other proceeding is the courts in the county in which we maintain our principal business office (subject to applicable state law)
W. Choice of law	Article 17.1	Law of state in which Territory is located (subject to applicable state law)

Certain states may have court decisions or statutes that may supersede the Franchise Agreement and the Area Development Agreement in your relationship with us. See the State Addenda to this Disclosure Document for special state disclosures.

Item 18. PUBLIC FIGURES

We do not use any public figures to promote our franchises. No public figure is involved in our management.

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 Franchise 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 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 our management by contacting Ken Leetch, Vice President of Operations, at 8200 Springwood Drive, Suite #230, Irving, TX 75063-5811, 214-774-4240, the Federal Trade Commission and the appropriate state regulatory agencies.

Item 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2018 TO 2020

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2018	11	12	+1
	2019	12	10	-2
	2020	10	11	+1
Company-Owned (1)	2018	12	11	-1
	2019	11	9	-2
	2020	9	9	0
Total Outlets	2018	23	23	0
	2019	23	19	-4
	2020	19	20	+1

Notes:

1. We have never operated any company-owned outlets, but our affiliate, MOC, has operated bd's Mongolian Grill® Restaurants of the type being franchised since 1998.

TABLE NO. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AFFILIATE) FOR YEARS 2018 TO 2020

State	Year	Number of Transfers
Totals	2018	0
	2019	0
	2020	0

TABLE NO. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS 2018 TO 2020

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Us	Ceased Operations – Other Reasons	Outlets at End of Year
Kansas	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Us	Ceased Operations – Other Reasons	Outlets at End of Year
Kentucky	2018	1	1	0	0	0	0	2
	2019	2	0	1	0	0	0	1
	2020	1	0	0	0	0	0	1
Michigan	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Missouri	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Ohio	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Pennsylvania	2018	1	0	0	0	0	0	1
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
Totals	2018	11	1	0	0	0	0	12
	2019	12	0	2	0	0	0	10
	2020	10	1	0	0	0	0	11

TABLE NO. 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2018 TO 2020 (1)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Colorado	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Illinois	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Michigan	2018	7	0	0	0	0	7
	2019	7	0	0	2	0	5
	2020	5	0	0	0	0	5
Wisconsin	2018	1	0	0	1	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Totals	2018	12	0	0	1	0	11
	2019	11	0	0	2	0	9
	2020	9	0	0	0	0	9

Notes:

1. As of December 30, 2020, we did not operate any company-owned outlets, but our affiliate, MOC, operated 11 bd's Mongolian Grill® Restaurants of the type being franchised.

TABLE NO. 5

PROJECTED OPENINGS AS OF DECEMBER 30, 2020

State	Franchise Agreements Signed But Outlets Not Opened (1)	Projected New Franchised Outlets in Next Fiscal Year (2)	Projected New Company-Owned Outlets in Next Fiscal Year (2)
Totals	0	0	0

Notes:

1. As of December 30, 2020.
2. During our 2021 fiscal year.

Exhibit G lists the names of all of our operating franchisees and the addresses and telephone numbers of their Restaurants as of December 30, 2020.

Exhibit H lists the franchisees who have signed Franchise Agreements for bd's Mongolian Grill® Restaurants which were not yet operational as of December 30, 2020.

Exhibit I lists the name, address, and telephone number (or, if unknown, the last known telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

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

Certain former franchisees have signed confidentiality agreements during the last three fiscal years. Each of these confidentiality agreements was signed in connection with the sale or closure of the former franchisee's bd's Mongolian Grill® Restaurant. In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Item 21. FINANCIAL STATEMENTS

Exhibit A contains the following financial statements: our audited financial statements for the fiscal years ending January 3, 2021, December 30, 2019, and December 30, 2018, as well as unaudited interim financial statements for the period ended June 20, 2021.

Item 22. CONTRACTS

Attached to this Franchise Disclosure Document are the following contracts: Franchise Agreement (Exhibit B), Area Development Agreement (Exhibit C), Confidentiality and Nondisclosure Agreement and Covenant Not to Compete (Exhibit D); Real Estate Option to Purchase Agreement (Exhibit E); Real Estate Lease - Rider (Exhibit F); Telephone Number Assignment (Exhibit J); and Franchisee Questionnaire (Exhibit K).

Item 23. RECEIPTS

The last pages of this Franchise Disclosure Document are detachable receipts acknowledging your receipt of this Franchise Disclosure Document.

**ADDENDUM FOR STATE-SPECIFIC AMENDMENTS TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT**

California franchisees: THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THIS FRANCHISE DISCLOSURE DOCUMENT.

The Franchise Agreement and the Area Development Agreement provide for termination upon your bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101, et seq.).

Neither us nor any person identified in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sec. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to California franchisees concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement or the Area Development Agreement contains a provision that is inconsistent with California law, California law will control.

You must sign a joint and mutual release of claims if you renew or transfer your Franchise. California Corporations Code, Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Consequently, California Corporations Code, Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516), and California Business and Professions Code, Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The provisions of the Franchise Agreement or the Area Development Agreement containing post-term covenants not to compete may not be enforceable under California law.

California Corporations Code, Section 31125 requires franchisors to give California franchisees a disclosure document, approved by the California Department of Business Oversight, before the solicitation of a proposed material modification of an existing franchise.

The Franchise Agreement and the Area Development Agreement require arbitration. The arbitration will occur in Minnesota, with the costs being borne by the parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or the Area Development Agreement restricting venue to a forum outside the State of California.

Neither the Franchise Agreement nor the Area Development Agreement contains a liquidated damage clause.

Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

If we negotiate the terms of the Franchise Agreement or the Area Development Agreement in California, a copy of the Notice of Negotiated Sale of Franchise will be made available for your review upon written request to Ken Leetch who can be reached at the address and telephone number disclosed on the cover page of this Franchise Disclosure Document. You will receive a copy of the Notice of Negotiated Sale of Franchise within five business days after we receive your written request.

Illinois franchisees: Illinois law governs the Franchise Agreement(s). In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Maryland franchisees: Section 14-226 of the Maryland Franchise Registration and Disclosure Law (the "Maryland Law") prohibits us from requiring you to assent to any release, estoppel or waiver of liability under the Maryland Law as a condition of purchasing the Franchise. Nothing in this Franchise Disclosure Document, the Franchise Agreement and the Area Development Agreement will act as a release, estoppel or waiver or any liability under the Maryland Law. The Uniform Consent to Service of Process which we must file pursuant to Section 14-216(25) of the Maryland Law requires that we be available for suit in Maryland. Any claims arising under the Maryland Law must be brought within three years after the grant of the Franchise.

New York franchisees: The choice of law provisions in the Franchise Agreement and the Area Development Agreement will not be considered a waiver of any right conferred upon us or you by Article 33 of the General Business Law of the State of New York. We may, if we choose, negotiate with you about items covered in this Disclosure Document. However, we cannot use the negotiating process to prevail upon you to accept terms which are less favorable than those set forth in this Disclosure Document.

Minnesota franchisees: Minnesota Statutes, Section 80C.21 and Minn. Rule 2860.4400D prohibit us from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minn. Stat. Secs. 80C.01 to 80C.22. In addition, Minn. Rule 2860.4400J prohibits us from requiring that litigation be conducted outside Minnesota, or requiring that you waive your right to a jury trial or to any procedure, forum, or remedies provided for by the laws of Minnesota, or consent to injunctive relief without posting a bond, liquidated damages, termination penalties, or judgment notes. We will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of the nonrenewal of your Franchise. Under Minnesota franchise law, you will have up to three years after the cause of action accrues to bring an action against MMIC.

Exhibit K to the Franchise Disclosure Document is revised as follows:

Question 10 of the Franchisee Questionnaire, which relates to COVID-19, is hereby deleted in its entirety.

North Dakota franchisees: Covenants not to compete are generally unenforceable in North Dakota, except in limited circumstances provided by law. The North Dakota Securities Commissioner has held that requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota is unenforceable.

Rhode Island franchisees: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that any provision of the Franchise Agreement or the Area Development Agreement which restricts jurisdiction or venue to a forum outside Rhode Island is void if the claim is otherwise enforceable under the Rhode Island Franchise Investment Act.

South Dakota franchisees: Covenants not to compete are generally unenforceable in South Dakota, except in limited circumstances provided by law. Any provision of the Franchise Agreement or the Area Development Agreement which designates jurisdiction or venue outside South Dakota or requires jurisdiction or venue in a forum outside of South Dakota is void if the cause of action is otherwise enforceable in South Dakota.

Washington franchisees: RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

Items 5 and 7 of the Franchise Disclosure Document are amended by the addition of the following language:

The Office of the Maryland Attorney General has determined that because of our Guarantor DK Group 2008, Inc.'s financial condition, we must assure our financial ability to furnish goods and services to assist our franchisees in establishing and opening their franchises by one of several means, at our option. As a consequence, the payment of the non-refundable initial franchise fees will be deferred until all of our pre-opening obligations under the Franchise Agreement has been completed by us, and you commence business at your Restaurant(s). Additionally, if applicable, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

The Cover Page of the Franchise Disclosure Document is amended by the addition of the following language:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT L OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Franchise Disclosure Document is amended by the addition of the following language:

Except as set forth in Item 3 of this Franchise Disclosure Document, the Franchisor, any predecessor or affiliate and the individuals identified in Item 2 of this Franchise Disclosure Document (a) do not have any pending administrative, criminal or civil action alleging a felony, a violation of a franchise, antitrust or securities law, or fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, or other than routine litigation incidental to the business of MMIC which is significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations; (b) have not been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this Franchise Disclosure Document, been convicted of or pleaded nolo contendere to a misdemeanor charge or been the subject of a civil action alleging violation of a franchise, antifraud or securities law, or fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; (c) are not subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4 of the Franchise Disclosure Document is amended by the addition of the following language:

Except as set forth in Item 4 of this Franchise Disclosure Document, during the ten-year period immediately preceding the date of this Franchise Disclosure Document, neither the Franchisor nor

any predecessor, affiliate, officer or general partner of the Franchisor has (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

Item 5 of the Franchise Disclosure Document is amended by the addition of the following language:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17 of the Franchise Disclosure Document is amended by the addition of the following language:

The following is added to the Summary sections of Item 17(c) and 17(m): To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

The following is added to the Summary section of Item 17(j): However, no assignment will be made except to an assignee that, in our good faith judgment, is willing and financially able to assume our obligations, under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The choice of law should not be considered a waiver of any right conferred upon you or us by Article 33 of the General Business Law of the State of New York.

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA**

Items 5 and 7 of the Franchise Disclosure Document are amended by the addition of the following language:

The North Dakota Securities Department has determined that because of our Guarantor DK Group 2008, Inc.'s financial condition, we must assure our financial ability to furnish goods and services to assist our franchisees in establishing and opening their franchises by one of several means, at our option. As a consequence, the payment of the non-refundable Initial Franchise Fee and if applicable, Development Fee and Construction Management Fee will be deferred until all of our pre-opening obligations under the Franchise Agreement(s) have been completed by us, and you commence business at your Restaurant(s).

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Items 17 of the Franchise Disclosure Document is amended by the addition of the following language:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

Items 5 and 7 of the Franchise Disclosure Document are amended by the addition of the following language:

The South Dakota Department of Labor and Regulation has determined that because of our Guarantor DK Group 2008, Inc.'s financial condition, we must assure our financial ability to furnish goods and services to assist our franchisees in establishing and opening their franchises by one of several means, at our option. As a consequence, the payment of the non-refundable Initial Franchise Fee and if applicable, Development Fee and Construction Management Fee will be deferred until all of our pre-opening obligations under the Franchise Agreement(s) have been completed by us, and you commence business at your Restaurant(s).



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT A
FINANCIAL STATEMENTS

Financial Statements and Report of
Independent Certified Public
Accountants

**Mongolian Management and
Investment Company, LLC**

January 3, 2021 and December 29, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Mongolian Management and Investment Company, LLC

We have audited the accompanying financial statements of Mongolian Management and Investment Company, LLC (a Texas limited liability company), which comprise the balance sheets as of January 3, 2021 and December 29, 2019, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mongolian Management and Investment Company, LLC as of January 3, 2021 and December 29, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Dallas, Texas
July 28, 2021

Mongolian Management and Investment Company, LLC

BALANCE SHEETS

As of January 3, 2021 and December 29, 2019

	<u>January 3, 2021</u>	<u>December 29, 2019</u>
ASSETS		
Current assets		
Accounts receivables, net	\$ 134,325	\$ 247,131
Related party receivable	1,774,094	1,034,283
Total current assets	1,908,419	1,281,414
Intangible assets, net	1,666,128	1,851,253
Total assets	<u>\$ 3,574,547</u>	<u>\$ 3,132,667</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Unearned franchise fees, current	\$ 27,000	\$ -
Non-current liabilities		
Unearned franchise fees, non-current	114,781	-
Total liabilities	141,781	-
Members' equity	3,432,766	3,132,667
Total liabilities and members' equity	<u>\$ 3,574,547</u>	<u>\$ 3,132,667</u>

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

STATEMENTS OF INCOME

Years ended January 3, 2021 and December 29, 2019

	January 3, 2021	December 29, 2019
Revenues		
Franchise royalties	\$ 452,535	\$ 1,004,405
Company royalties	408,115	935,029
Mongolian royalties	-	12,000
Franchise fees	27,931	-
Total revenues	888,581	1,951,434
Support services		
Franchise development	88,940	192,971
Franchise services	38,298	85,870
Training	42,167	94,546
Operations	17,504	39,248
Marketing	10,770	24,148
Finance	20,191	45,273
Office	15,775	35,367
Amortization	185,125	154,271
Loss on disposal of intangible asset	-	184,578
Total support services	418,770	856,272
Operating income	469,811	1,095,162
Other expense	-	13,753
Net income	\$ 469,811	\$ 1,081,409

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended January 3, 2021 and December 29, 2019

Balance, December 30, 2018	\$ 4,063,081
Dividend	(2,011,823)
Net income	<u>1,081,409</u>
Balance, December 29, 2019	3,132,667
Adoption of ASC 606	(169,712)
Net income	<u>469,811</u>
Balance, January 3, 2021	<u><u>\$ 3,432,766</u></u>

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

STATEMENTS OF CASH FLOWS

Years ended January 3, 2021 and December 29, 2019

	January 3, 2021	December 29, 2019
Cash flows from operating activities		
Net income	\$ 469,811	\$ 1,081,409
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of intangibles	185,125	154,271
Loss on disposal of intangible asset	-	184,578
Changes in operating assets and liabilities:		
Accounts receivable	112,806	(128,038)
Related party receivable	(739,811)	(1,292,220)
Unearned franchise fees	(27,931)	-
	-	-
Net cash provided by (used in) operating activities	-	-
	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

NOTES TO FINANCIAL STATEMENTS

January 3, 2021 and December 29, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mongolian Management and Investment Company, LLC (the "Company") provides management services and franchises restaurants operating under the name "bd's Mongolian Barbeque" and "bd's Mongolian Grill" throughout the United States, from which it receives service fees. There were 10 and 12 franchised stores as well as 9 and 11 non-franchised stores in operation as of January 3, 2021 and December 29, 2019, respectively. The restaurants are located in Michigan, Illinois, Colorado, Missouri, Kentucky, Florida, Ohio, and Kansas.

The Company's membership interests were acquired by DK Group 2008, Inc. ("DKG") on May 2, 2008. DKG owns 100% of Mongolian Operating Company, LLC ("MOC") (see Note D) and the Company. On November 20, 2017, Mongolian Concepts, LLC acquired 100% of DKG. The acquisition was accounted for under the purchase method of accounting. The estimated fair values of the assets and liabilities assumed at the date of acquisition were recorded in the Company's balance sheet as of November 20, 2017.

Reporting Period

The Company's fiscal year is the 52 or 53 week period ending on the Sunday closest to December 31. The 2020 fiscal year ended on January 3, 2021 and included 52 weeks. The 2019 fiscal year ended on December 29, 2019 and included 52 weeks.

Accounts Receivable - Franchisees

The Company reports franchisee receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses, current expectations and economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. As of January 3, 2021 and December 29, 2019, the Company considered its accounts receivable - franchisees to be fully collectible.

Intangible Assets

Intangible assets consist of franchising agreements. The intangible assets have definite lives of 1 to 11 years. The franchising agreements are being amortized based on the present value of anticipated fees for each individual agreement.

Impairment of Intangibles

Management reviews the carrying value of intangibles for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets is based on the estimated future cash flows expected to result from the use of these assets. If the sum of the expected future net cash flows is less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. The Company's estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors.

Mongolian Management and Investment Company, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 3, 2021 and December 29, 2019

The actual cash flows realized from these assets may vary significantly from the Company's estimates due to franchisees' increased competition, fluctuation in customer visits, fluctuations in cost of sales, increased wages, and reductions in average selling prices. Assumptions underlying future cash flow estimates are, therefore, subject to significant risks and uncertainties. The Company recorded a loss on disposal of \$184,578 as one location closed during the year ended December 29, 2019.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This amendment replaces current accounting principles generally accepted in the United States of America ("U.S. GAAP") revenue recognition guidance and establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenues. ASU 2014-09 was adopted by the Company on December 30, 2019.

Royalties consists of a percentage of net sales of franchised restaurants and recorded as income when earned.

Franchise fees are initial fees received from a franchisee to establish a new franchise and are recorded as deferred revenue and recognized as income over the life of the agreement. Under accounting policies pertaining to revenue recognition prior to the adoption of Topic 606 ("Legacy Revenue GAAP"), revenue related to initial fees was recognized upon store opening and renewal and transfer fees were recognized when the related agreement became effective. Upon the adoption of Topic 606, the Company has determined that the services provided in exchange for these upfront franchise fees, which primarily relate to preopening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the franchisees. As a result, upon the adoption of Topic 606, upfront franchise fees are recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property. There were no new franchises added during 2019 or 2020.

The following table disaggregates revenue by concept. The Company believes this disaggregation best reflects the extent to which the nature, amount, timing and uncertainty of its revenues and cash flows are impacted by economic factors.

	January 3, 2021	December 29, 2019
Franchise royalties	\$ 452,535	\$ 1,004,405
Company royalties	408,115	935,029
Mongolian royalties	-	12,000
Franchise fees	27,931	-
Total	<u>\$ 888,581</u>	<u>\$ 1,951,434</u>

Contract Liabilities

The Company's contract liabilities are comprised of unamortized franchise fees received from franchisees. A summary of significant changes to the contract liability balance since adoption of Topic 606 on December 30, 2019 is presented below:

Balance at December 30, 2019	\$ 169,712
Franchise revenue recognized	<u>(27,931)</u>
Balance at January 3, 2021	<u>\$ 141,781</u>

Mongolian Management and Investment Company, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 3, 2021 and December 29, 2019

Advertising

An advertising fee of 0.5% to 1.0% of net sales was collected from all restaurant stores for general marketing, advertising, and publicity administered by the Company on behalf of the “bd’s Mongolian Barbeque” and “bd’s Mongolian Grill” brands. The advertising fund liability is reduced as advertising occurs. In 2020, the advertising fund spent more money than it collected as actual contributions were less than budgeted and expenses were fixed on an annual basis. As of January 3, 2021 and December 29, 2019, the amounts expended and not collected were \$48,743 and \$145,796, respectively. The Company anticipates reducing this deficit over the next two years.

Use of Estimates

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

Income Taxes

The Company, with the consent of its member, is a limited liability company. The Company is considered disregarded for federal and most states, therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

The Company accounts for uncertainty in income taxes using the provisions of Financial FASB Accounting Standards Codification (“ASC”) 740, *Income Taxes*. Using that guidance, tax positions are recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. As of December 29, 2019, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Company had no interest and penalties related to income taxes.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of its accounts receivable. The Company grants credit to its franchisees. Consequently, the Company’s ability to collect the amounts due from franchisees is affected by fluctuations in the economy.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, the current expected credit loss standard (CECL) that requires measurement and recognition of expected versus incurred credit losses for financial assets held. The standard is effective for the Company prospectively in the first quarter of fiscal 2022. The Company does not anticipate the impact of adopting this standard will be material to its financial statements.

NOTE B - INTANGIBLE ASSETS, NET

Franchise Fees

The fair value of the franchise fees was estimated considering the present value of anticipated fees for each individual agreement. Amortization of these fees is recorded each period based on the life of each franchise agreement.

Mongolian Management and Investment Company, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 3, 2021 and December 29, 2019

Amortization expense was \$185,125 and \$154,271 for the years ended January 3, 2021 and December 29, 2019, respectively.

Estimated amortization expense of intangible assets with definite lives for each of the five years subsequent to January 3, 2021 is as follows:

2021	\$	185,125
2022		185,125
2023		185,125
2024		185,125
2025		185,125
Thereafter		<u>740,501</u>
	\$	<u>1,666,128</u>

NOTE C - RELATED PARTY TRANSACTIONS

The Company and MOC are under common ownership (see Note A).

Company royalties received by the Company from MOC stores were \$408,115 and \$935,029 for the years ended January 3, 2021 and December 29, 2019, respectively. As of January 3, 2021 and December 29, 2019, the Company had royalties' receivable from MOC of \$1,774,094 and \$1,034,283, respectively. The Company considers the royalties from MOC are fully collectable.

NOTE D - COMMITMENTS AND CONTINGENCIES

Guarantees

The Company guarantees a certain lease related to a store operated by MOC, a related party. If MOC fails to make the required lease payments, then the landlord could require payment by the Company. The Company's maximum liability under this lease obligations for future minimum lease payments totaled \$795,241 as of January 3, 2021. The Company has not been required to make any payments through the years ended January 3, 2021 and December 29, 2019.

Contingencies

From time to time, the Company is subject to lawsuits and other charges from customers and employees, which are typical within the industry. In the opinion of management, any open matters will not have a material effect upon the financial position of the Company.

NOTE E - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through July 28, 2021, the date the financial statements were available to be issued.

Financial Statements and Report of
Independent Certified Public
Accountants

**Mongolian Management and
Investment Company, LLC**

December 29, 2019 and December 30, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Mongolian Management and Investment Company, LLC

We have audited the accompanying financial statements of Mongolian Management and Investment Company, LLC (a Texas limited liability company), which comprise the balance sheets as of December 29, 2019 and December 30, 2018, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mongolian Management and Investment Company, LLC as of December 29, 2019 and December 30, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Dallas, Texas
June 18, 2020

Mongolian Management and Investment Company, LLC

BALANCE SHEETS

December 29, 2019 and December 30, 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Accounts receivables, net	\$ 247,131	\$ 119,093
Related party receivable	1,034,283	1,753,886
Total current assets	<u>1,281,414</u>	<u>1,872,979</u>
Intangible assets, net	<u>1,851,253</u>	<u>2,190,102</u>
Total assets	<u>\$ 3,132,667</u>	<u>\$ 4,063,081</u>
MEMBERS' EQUITY		
Members' equity	<u>\$ 3,132,667</u>	<u>\$ 4,063,081</u>
Total members' equity	<u>\$ 3,132,667</u>	<u>\$ 4,063,081</u>

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

STATEMENTS OF INCOME

Years ended December 29, 2019 and December 30, 2018

	<u>2019</u>	<u>2018</u>
Sales		
Franchise fee income	\$ -	\$ 45,000
Mongolian royalties	12,000	12,000
Franchise royalties	1,004,405	1,030,843
Company royalties	935,029	1,076,794
Total sales	<u>1,951,434</u>	<u>2,164,637</u>
Support services		
Franchise development	192,971	149,609
Franchise services	85,870	53,066
Training	94,546	73,301
Operations	39,248	30,429
Marketing	24,148	18,722
Finance	45,273	35,100
Office	35,367	27,420
Amortization	154,271	168,469
Loss on disposal of intangible asset	184,578	-
Total support services	<u>856,272</u>	<u>556,116</u>
Operating income	1,095,162	1,608,521
Other expense	<u>13,753</u>	<u>39,528</u>
NET INCOME	<u>\$ 1,081,409</u>	<u>\$ 1,568,993</u>

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 29, 2019 and December 30, 2018

Balance, January 1, 2018	\$ 2,494,088
Net income	<u>1,568,993</u>
Balance, December 30, 2018	4,063,081
Dividend - related party	(2,011,823)
Net income	<u>1,081,409</u>
Balance, December 29, 2019	<u><u>\$ 3,132,667</u></u>

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

STATEMENTS OF CASH FLOWS

Years ended December 29, 2019 and December 30, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income	\$ 1,081,409	\$ 1,568,993
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization of intangibles	154,271	168,469
Loss on disposal of intangible asset	184,578	-
Other	-	(441)
Changes in operating assets and liabilities:		
Accounts receivable	(128,038)	16,865
Related party receivable	(1,292,220)	(1,753,886)
Net cash used in operating activities	<u>-</u>	<u>-</u>
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Supplemental disclosure of noncash transactions		
Dividend - related party	\$ (2,011,823)	\$ -

The accompanying notes are an integral part of these financial statements.

Mongolian Management and Investment Company, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 29, 2019 and December 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mongolian Management and Investment Company, LLC (the "Company") provides management services and franchises restaurants operating under the name "bd's Mongolian Barbeque" and "bd's Mongolian Grill" throughout the United States, from which it receives service fees. There were 10 and 12 franchised stores as well as 9 and 11 non-franchised stores in operation as of December 29, 2019 and December 30, 2018, respectively. The restaurants are located in Michigan, Illinois, Colorado, Missouri, Kentucky, Florida, Ohio, and Kansas.

The Company's membership interests were acquired by DK Group 2008, Inc. ("DKG") on May 2, 2008. DKG owns 100% of Mongolian Operating Company, LLC ("MOC") (see Note D) and the Company. On November 20, 2017, Mongolian Concepts, LLC acquired 100% of DKG. The acquisition was accounted for under the purchase method of accounting. The estimated fair values of the assets and liabilities assumed at the date of acquisition were recorded in the Company's balance sheet as of November 20, 2017.

Reporting Period

The Company's fiscal year is the 52 or 53 week period ending on the Sunday closest to December 31. The 2019 fiscal year ended on December 29, 2019 and included 52 weeks. The 2018 fiscal year ended on December 30, 2018 and included 52 weeks.

Accounts Receivable - Franchisees

The Company reports franchisee receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses, current expectations and economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. As of December 29, 2019 and December 30, 2018, the Company considered its accounts receivable - franchisees to be fully collectible.

Intangible Assets

Intangible assets consist of franchising agreements. The intangible assets have definite lives of 1 to 11 years. The franchising agreements are being amortized based on the present value of anticipated fees for each individual agreement.

Impairment of Intangibles

Management reviews the carrying value of intangibles for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets is based on the estimated future cash flows expected to result from the use of these assets. If the sum of the expected future net cash flows is less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. The Company's estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors.

Mongolian Management and Investment Company, LLC

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 29, 2019 and December 30, 2018

The actual cash flows realized from these assets may vary significantly from the Company's estimates due to franchisees' increased competition, fluctuation in customer visits, fluctuations in cost of sales, increased wages, and reductions in average selling prices. Assumptions underlying future cash flow estimates are, therefore, subject to significant risks and uncertainties. The Company recorded a loss on disposal of \$184,578 as one location closed during the year ended December 29, 2019. No impairment was recorded during the year ended December 30, 2018.

Revenue Recognition

Royalties consists of a percentage of net sales of franchised restaurants and recorded as income when earned.

Franchise fees consists of franchise and development agreements. These are initial fees received from a franchisee to establish a new franchise and are recorded upon store opening and renewal and transfer fees were recognized when the related agreement became effective.

Advertising

An advertising fee of 0.5% to 1.0% of net sales was collected from all restaurant stores for general marketing, advertising, and publicity administered by the Company on behalf of the "bd's Mongolian Barbeque" and "bd's Mongolian Grill" brands. The advertising fund liability is reduced as advertising occurs. In 2019, the advertising fund spent more money than it collected as actual contributions were less than budgeted and expenses were fixed on an annual basis. As of December 29, 2019 and December 30, 2018, the amounts expended and not collected were \$145,796 and \$7,523, respectively. The Company anticipates reducing this deficit over the next two years.

Use of Estimates

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

Income Taxes

The Company, with the consent of its member, is a limited liability company. The Company is considered disregarded for federal and most states, therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

The Company accounts for uncertainty in income taxes using the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Using that guidance, tax positions are recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. As of December 29, 2019, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Company had no interest and penalties related to income taxes.

Mongolian Management and Investment Company, LLC

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 29, 2019 and December 30, 2018

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of its accounts receivable. The Company grants credit to its franchisees. Consequently, the Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This amendment replaces current U.S. GAAP revenue recognition guidance and establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenues. ASU 2014-09 will be effective for the Company in the first quarter of fiscal year 2020 and the Company is currently assessing the impact this guidance will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, the current expected credit loss standard ("CECL") that requires measurement and recognition of expected versus incurred credit losses for financial assets held. The standard is effective for the Company prospectively in the first quarter of fiscal 2022. The Company does not anticipate the impact of adopting this standard will be material to its financial statements.

NOTE B - INTANGIBLE ASSETS, NET

Franchise Fees

The fair value of the franchise fees was estimated considering the present value of anticipated fees for each individual agreement. Amortization of these fees is recorded each period based on the life of each franchise agreement.

Amortization expense was \$154,271 and \$168,469 for the years ended December 29, 2019 and December 30, 2018, respectively.

Estimated amortization expense of intangible assets with definite lives for each of the five years subsequent to December 29, 2019 is as follows:

2020	\$ 154,271
2021	154,271
2022	154,271
2023	154,271
2024	154,271
Thereafter	<u>1,079,896</u>
	<u>\$ 1,851,251</u>

Mongolian Management and Investment Company, LLC

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 29, 2019 and December 30, 2018

NOTE C - FINANCIAL INSTRUMENTS

The following disclosure enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities must be carried at fair value and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

NOTE D - RELATED PARTY TRANSACTIONS

The Company and MOC are under common ownership (see Note A).

Company royalties received by the Company from MOC stores were \$935,029 and \$1,076,794 for the years ended December 29, 2019 and December 30, 2018, respectively. As of December 29, 2019 and December 30, 2018, the Company had royalties' receivable from MOC of \$1,034,283 and \$1,753,886, respectively. During the year ended December 29, 2019 the Company declared a dividend of \$2,011,823 to MOC. The Company considers the remaining related party receivable fully collectable.

The Company reimbursed MOC \$0 and \$184,972 for general and administrative personnel expenses provided to the Company, for the years ended December 29, 2019 and December 30, 2018, respectively.

NOTE E - COMMITMENTS AND CONTINGENCIES

Guarantees

The Company guarantees a certain lease related to a store operated by MOC, a related party. If MOC fails to make the required lease payments, then the landlord could require payment by the Company. The Company's maximum liability under this lease obligations for future minimum lease payments totaled \$167,266 as of December 29, 2019. The Company has not been required to make any payments through the years ended December 29, 2019 and December 30, 2018.

Contingencies

From time to time the Company is subject to lawsuits and other charges from customers and employees, which are typical within the industry. In the opinion of management, any open matters will not have a material effect upon the financial position of the Company.

NOTE F - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 18, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The Company is monitoring this closely, and normal operations have been affected by the coronavirus outbreak because

Mongolian Management and Investment Company, LLC

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 29, 2019 and December 30, 2018

dine-in customers may no longer eat in the Company's locations and the ultimate severity of the outbreak is uncertain. Operations of the Company are ongoing as the Company's business is now serviced through delivery and carry out business in most locations with various levels of activity depending on the location. Further, the uncertain nature of the spread of COVID-19 may impact business operations resulting from quarantines of employees and customers as well as impacts that may arise through the Company's vendors. At this time, the Company is unable to estimate the impact of this event on its operations.

On March 30, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was approved by the federal government. The Act includes a loan program called the Payroll Protection Program ("PPP"), which is intended to help businesses to make payroll and cover other expenses. In general, the loan proceeds may be forgiven if a company uses them for payroll, interest payments on mortgages, rent and utilities. In April of 2020, DKG, the Company's parent, and MOC, fellow subsidiary, were approved for PPP loans and received \$1,027,000 and \$1,804,000, respectively.

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

Mongolian Management and Investment Company, LLC

Balance Sheet

As of January 3, 2021 and December 29, 2019

	<u>June 20, 2021</u>	<u>January 3, 2021</u>	<u>December 29, 2019</u>
ASSETS			
Current assets			
Accounts receivables, net	\$ 105,053	\$ 134,326	\$ 247,131
Related party receivable	<u>2,196,117</u>	<u>1,774,094</u>	<u>1,034,283</u>
Total current assets	2,301,170	1,908,419	1,281,414
Intangible assets, net	<u>1,573,566</u>	<u>1,666,128</u>	<u>1,851,253</u>
Total assets	<u>\$ 3,874,735</u>	<u>\$ 3,574,547</u>	<u>\$ 3,132,667</u>
Liabilities			
Current liabilities			
Unearned Franchise Fees, current	\$27,000	\$27,000	
Non-Current liabilities			
Unearned Franchise Fees, non-current	<u>\$ 114,781</u>	<u>\$ 114,781</u>	<u> </u>
Total liabilities	<u>\$ 141,781</u>	<u>\$ 141,781</u>	<u>\$ -</u>
MEMBERS' EQUITY			
Total members' equity	<u>3,732,955</u>	<u>3,432,766</u>	<u>3,132,667</u>
Total liabilities and members' equity	<u>\$ 3,874,736</u>	<u>\$ 3,574,547</u>	<u>\$ 3,132,667</u>
	0	(0)	
	0	(0)	

Statement of Earnings

Mongolian Management and Investment Company, LLC

STATEMENTS OF INCOME

Years ended January 3, 2021 and December 29, 2019

	June 20, 2021	January 3, 2021	December 29, 2019	
SALES				
Franchise fee income		\$ 27,931	\$ -	
Mongolian royalties			12,000	
Franchise royalties	295,697	452,535	1,004,405	
Company royalties	217,165	408,115	935,029	
Total sales	512,862	888,581	1,951,434	
Support services				
Franchise development	55,942	88,940	192,971	37%
Franchise services	24,894	38,298	85,870	17%
Training	27,409	42,167	94,546	18%
Operations	11,378	17,504	39,248	8%
Marketing	(22,889)	10,770	24,148	5%
Finance	13,125	20,192	45,273	9%
Office	10,253	15,774	35,367	7%
Amortization	92,563	185,125	154,271	
Loss on disposal of intangible asset			184,578	
Total support services	212,673	418,770	856,272	517,423
Operating income	300,189	469,811	1,095,162	
Other expense	-	-	13,753	
Net income	\$ 300,189	\$ 469,811	\$ 1,081,409	

Stmt of Cash Flows

Mongolian Management and Investment Company, LLC

STATEMENTS OF CASH FLOWS

Years ended January 3, 2021 and December 29, 2019

	<u>June 20, 2021</u>	<u>January 3, 2021</u>	<u>December 29, 2019</u>
Cash flows from operating activities			
Net income	\$ 300,189	\$ 469,811	\$ 1,081,409
Adjustments to reconcile net income to net cash used in operating activities			
Amortization of intangibles	92,563	185,125	154,271
Loss on disposal of intangible asset			184,578
Other			-
Changes in operating assets and liabilities			
Accounts receivable	29,273	112,805	(128,038)
Related party receivable	(422,023)	(739,811)	(1,292,220)
Unearned franchise fees		(27,931)	
Net cash provided by operating activities	1	(0)	-
Net increase in cash and cash equivalents			-
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT B
FRANCHISE AGREEMENT



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT

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**MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT**

This Franchise Agreement (this “Agreement”) is entered into and effective, as of _____, 20_____, (the “Effective Date”) between **MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.**, a Michigan limited liability company (“**MMIC**”), and _____ (“**Franchisee**”), a(n)_____.

INTRODUCTION

The parties to this Agreement understand that the circumstances underlying the execution of this Agreement are as follows:

MMIC has developed a distinctive business system for operating and franchising restaurants that offer a “create your own stir-fry” concept, and distinctive food and beverage products under the name “bd’s Mongolian Grill®” (the “System”). MMIC has extensively publicized the “bd’s Mongolian Grill®” name to the public as an organization of restaurant businesses operating under the System. MMIC may modify the System in the exercise of its business judgment and may authorize regional or local variations in the System, tests of potential new menu items or products, and the introduction of menu items or products in stages over time, all in the exercise of its business judgment to enhance the marketing, consumer acceptance, competitive position, compliance obligations, and other objectives intended to facilitate operations over the term of this Agreement;

MMIC has the right and authority to license the use of the name “bd’s Mongolian Grill®” and the other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans, and tag lines designated by MMIC in writing that are now owned or that will be developed by MMIC (the “Marks”) for use in connection with the System to selective persons or Entities that have agreed to comply with MMIC’s uniformity requirements and quality standards. MMIC will continue to develop, use, and control the use of the Marks in order to identify to the public the source of Foods, Products and Services marketed under the System, and to represent to the public the System’s high standards of quality, appearance, cleanliness and service;

Franchisee desires to develop, own and operate a bd’s Mongolian Grill® restaurant using the Marks (the “bd’s Mongolian Grill® Restaurant” or the “Restaurant”) in conformity with the System and with MMIC’s uniformity and quality standards, as may be established by MMIC from time to time in the Operating Manuals, and all other terms of this Agreement; and

Franchisee understands the importance of maintaining the high standards of quality, appearance, procedures, controls, cleanliness and service established by MMIC and the distinctive attributes of the Foods, Products and Services identified by the Marks and used within the System, the necessity of operating the Restaurant in strict conformity with the mandatory standards and specifications established by MMIC, and that its compliance with this Agreement and the Operating Manuals is essential to maintain such standards, specifications, qualities and attributes. Franchisee also understands that any required standards, specifications, and/or operating procedures exist to protect MMIC’s interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee.

AGREEMENT

Therefore, the parties agree as follows:

1. GRANT OF LICENSE AND LOCATION OF FRANCHISE

- 1.1 License. MMIC grants to Franchisee a personal license to establish and operate one bd's Mongolian Grill® Restaurant at a single location within the Designated Area using the System and the Marks.
- 1.2 Designated Area. Except as provided to the contrary below, Franchisee will receive a "Designated Area" consisting of the area described in Section A of Exhibit 1 to this Agreement. MMIC and its Affiliates shall not, during the term of this Agreement, establish or operate bd's Mongolian Grill® Restaurants, or grant to any person or Entity the license to establish or operate any other bd's Mongolian Grill® Restaurant within the Designated Area using the System. However, MMIC may establish additional bd's Mongolian Grill® Restaurants, using the System and the Marks or permit the development of other bd's Mongolian Grill® Restaurants within the following special-purpose venues in the Designated Area: enclosed malls, institutions (such as hospitals, schools or military bases), airports, airport properties, parks (including theme, entertainment or amusement parks), major office complexes, casinos, and sports arenas. Nothing contained in this Agreement shall prevent MMIC or its Affiliates from (A) developing Other Concepts even if the locations for such Other Concepts are in the Designated Area; and (B) marketing, distributing or selling on a wholesale or retail basis packaged food products or other goods under any of the Marks, by any method of distribution and sale, even if sales are made to customers located in the Designated Area.
- 1.3 Location of Restaurant. The location of the Restaurant within the Designated Area is described in Section B of Exhibit 1 to this Agreement (the "Franchised Location"). Franchisee shall select the Site for the Franchised Location of its Restaurant pursuant to the procedures set forth in this Agreement and the Operating Manuals. Franchisee shall not relocate its Restaurant without obtaining the prior written consent of MMIC, which may be withheld in its sole discretion. Franchisee may not establish additional Restaurants within or outside the Designated Area without entering into additional Franchise Agreements with MMIC.
- 1.4 Undetermined Franchised Location. If the Franchised Location of the Restaurant in the Designated Area has not yet been determined as of the Effective Date of this Agreement, then when the location of the Restaurant is determined by Franchisee in compliance with the Site selection requirements of this Agreement, the street address, city and state for the Restaurant will be inserted in Section B of Exhibit 1 to this Agreement and signed by both MMIC and Franchisee.
- 1.5 Relocation of Restaurant. Provided Franchisee is not in default of this Agreement, Franchisee may, at its sole expense and with the prior written approval of MMIC, relocate the Restaurant to a new Franchised Location if (A) the proposed new location for the Restaurant: (i) meets MMIC's then-current Site requirements as set forth in this Agreement, the Operating Manuals or otherwise in writing; (ii) does not infringe upon and is not located within the protected area of any existing or proposed bd's Mongolian Grill® Restaurant; (iii) is not located within (a) any protected area granted to any other franchisee, area developer/franchisee, master

franchisee or subfranchisee of bd's Mongolian Grill® Restaurants, or (b) within 20 miles of any bd's Mongolian Grill® Restaurant or other restaurant owned or operated by MMIC or any of its Affiliates; and (B) the Restaurant is open for business within four months after the date the Restaurant closes for business for the purpose of relocating to a new Franchised Location. The new Franchised Location of the Restaurant, including the real estate and the building, must comply with MMIC's then-current image, décor, standards and specifications. Franchisee will pay MMIC a Relocation Fee of \$3,000 on the date MMIC approves Franchisee's right to relocate the Restaurant to a new Franchised Location. Franchisee will, within five days after the end of each calendar month during which the Restaurant is not open for business while relocating the Franchised Location, pay MMIC a minimum Service Fee of \$3,000 per month for each calendar month the Restaurant is not open for business.

2. TERM AND REACQUISITION

- 2.1 Term. The term of this Agreement begins on the Effective Date and will extend for 20 years, unless earlier terminated in accordance with this Agreement. Notwithstanding the foregoing, if the Lease for the Franchised Location is effective after the date of this Agreement, then the term of this Agreement will be for a minimum of 20 years and will be extended to coincide with the term of the Lease signed by Franchisee, and this Agreement will expire on the same day the Lease term expires: provided however, that (A) if the Lease term (including renewals) is less than 20 years, then the term of this Agreement will be for 20 years, and (B) under no circumstances will the term of this Agreement exceed 21 years.
- 2.2 Reacquisition. Upon the expiration of the term of this Agreement, Franchisee may reacquire the Franchise for the Franchised Location for one additional 10-year term. Franchisee's right to reacquire the Franchise for the Franchised Location is subject to its satisfaction of the following conditions:
- A. Franchisee is current with all Fees payable to MMIC and is not otherwise in default of this Agreement or any other agreement between MMIC and Franchisee at the time that Franchisee gives notice of reacquisition;
 - B. Franchisee executes a new Franchise Agreement in the then-current form, which form may differ from this Agreement in material ways, including different Fees;
 - C. Franchisee has made or agrees in writing to make such changes to its building, premises, decor, FF&E, vehicles, operations, and any other matters determined by MMIC in its sole discretion to bring the Restaurant premises and operations in conformance with MMIC's then-current requirements;
 - D. The Restaurant's operations and conditions shall have been determined to be satisfactory by MMIC in its sole discretion in MMIC's most recent written consultation or evaluation report of the Restaurant;
 - E. Franchisee's Representative, Operating Manager (if applicable) and the Unit General Manager of the Restaurant shall have satisfactorily

completed, at Franchisee's own cost, all retraining programs required by MMIC.

- F. Franchisee pays the Reacquisition Fee provided in Article 2.3 below;
- G. Franchisee provides proper notice of reacquisition as provided in Article 2.4 below; and
- H. Franchisee demonstrates to MMIC's satisfaction, as determined in MMIC's sole discretion, that Franchisee has secured the right to occupy the Franchised Location for the entire term of the new Franchise Agreement.

2.3 Reacquisition Fee. The "Reacquisition Fee" shall be an amount equal to 50% of the then-current Initial Franchise Fee charged by MMIC, and is payable at the time Franchisee gives written notice to MMIC of its intent to reacquire the Franchise for the Franchised Location as set forth below.

2.4 Notice of Reacquisition. Franchisee must give MMIC written notice of its intent to reacquire the Franchise for the Franchised Location not fewer than six months, nor more than 12 months, before the expiration of the term of this Agreement. If applicable law requires that MMIC give notice before the expiration of the term of this Agreement of its intention not to allow Franchisee to reacquire the Franchise for the Franchised Location, this Agreement shall remain in effect on a month-to-month basis until MMIC gives such notice.

3. MARKS AND SYSTEM

3.1 Description of Marks. Subject to the terms and conditions of this Agreement, MMIC hereby grants Franchisee a non-exclusive license to use the Marks and the System solely in connection with the operation of the Restaurant at the Franchised Location.

3.2 Consent to Use Marks. Franchisee shall not use any mark other than those authorized to be used by MMIC. Franchisee further acknowledges that only MMIC and its designated franchisees and other licensees have the right to use the Marks along with all ancillary signs, symbols or other indicia used in connection with such Marks. Franchisee shall not contest, directly or indirectly, MMIC's ownership, title, right or interest in the Marks, or MMIC's sole right to register, use or license others to use the Marks. Franchisee shall not interfere with, or attempt to prohibit, the use of the Marks by any other existing or future franchisee or licensee of MMIC. Franchisee agrees to execute such papers and documents, and to provide assurances deemed reasonably necessary by MMIC to effectuate this purpose, and agrees to fully cooperate with MMIC in securing all necessary and required consents of any state agency or legal authority for the use of any Mark that is or becomes a part of the System.

3.3 Litigation Involving Marks. Franchisee agrees to promptly notify MMIC in writing of any unauthorized use of the Marks that comes to Franchisee's attention. Franchisee shall notify MMIC in writing within five days after the receipt of notice of the commencement of any litigation or proceeding instituted by any person, governmental agency or other Entity against Franchisee involving the Marks. MMIC shall have the sole right and discretion to bring or defend trademark or trade dress infringement, unfair competition or other proceedings involving the Marks.

Franchisee agrees to fully cooperate with MMIC in its prosecution or defense of proceedings involving the Marks by executing any and all documents and doing such acts and things as may, in the opinion of counsel for MMIC, be necessary for MMIC to carry out such proceedings brought by MMIC or against MMIC or Franchisee.

- 3.4 Manner of Using Marks. Without first obtaining MMIC's written consent, Franchisee agrees not to use any other trade names, service marks or trademarks other than the Marks. Franchisee shall use MMIC's Marks licensed to Franchisee by this Agreement only in such ways as are permitted by this Agreement and by the Operating Manuals or other written notice provided by MMIC from time to time. Franchisee agrees to use MMIC's Marks only in connection with the Foods, Products and Services that MMIC has authorized in writing. Franchisee will not use the Marks with modifying words, designs or symbols without express written permission from MMIC, in connection with the sale of unauthorized foods, products or services or in any other manner not authorized in writing by MMIC. For purposes of preserving the validity and integrity of the Marks, and assuring their proper usage and their representation of the proper quality of the System, MMIC and its agents may at all reasonable times, enter and inspect the Restaurant without prior notice. Such inspection shall include, without limitation, observing Franchisee's operation, conferring with Franchisee's employees and customers, testing Franchisee's Menu Items, supplies and products for quality, and inspecting whether Franchisee is complying with the System and Operating Manuals. Franchisee may not assign, sublicense, or transfer in any manner its right to use the Marks, except as provided for in this Agreement. Franchisee shall not use its name or any other name in conjunction with any of the Marks unless previously approved in writing by MMIC. MMIC may change or modify the System presently identified by the Marks. Franchisee must accept, use, and display any such changes in the System at Franchisee's sole cost. Immediately upon the termination or expiration of this Agreement, Franchisee shall stop using the Marks and shall return or destroy all documents, instructions, displays, paper products, advertising items, and other materials bearing any of the Marks.
- 3.5 Goodwill. Franchisee acknowledges that valuable goodwill is attached to the Marks and that it will use the Marks solely in the manner prescribed by MMIC. So as to preserve that goodwill, Franchisee agrees to operate the Restaurant using the Marks in accordance with operational standards established by MMIC from time to time, including fully complying with the requirements of the Operating Manuals, as amended from time to time. Franchisee acknowledges and agrees that all goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through Franchisee's activities, inures directly and exclusively to the benefit of MMIC, except as otherwise provided in this Agreement or by applicable law.
- 3.6 Subject to Existing Use. MMIC's grant to Franchisee of the right and license to use the Marks may be subject to any use of a Mark by another person in Franchisee's Designated Area that existed before Franchisee's use of the Marks.
- 3.7 Permitted Business Name. No part of the Marks nor any words similar to them shall, without MMIC's prior written approval, be included in any trade name utilized by Franchisee or by any Entity in which Franchisee may, at any time, have any direct or indirect interest, provided that where required by applicable law, Franchisee shall register with the appropriate regulatory agency as carrying on

business using a derived name incorporating the geographic designation assigned to the Restaurant by MMIC (e.g., d/b/a bd's Mongolian Grill® of ____).

- 3.8 Changes to Marks. If it becomes advisable at any time in MMIC's sole discretion for MMIC to add new Marks or modify or discontinue use of any Marks, Franchisee agrees, at Franchisee's sole cost and expense, to comply with MMIC's directions to add, modify or otherwise discontinue the use of such Marks within a reasonable time after notice from MMIC. MMIC shall not be obligated to compensate Franchisee for any costs Franchisee incurs in connection with such changes to the Marks.
- 3.9 Electronic Identifiers; Email. Franchisee shall not, without MMIC's consent, use the Marks or any abbreviation or other name associated with MMIC or the System as part of any email address, domain name or other identification of the Restaurant in any electronic medium. Franchisee must use, and use only, the email address and other identifiers that MMIC designates in connection with the business of the Restaurant. In addition to any other provision of this Agreement, Franchisee will be solely responsible for compliance with any laws pertaining to sending emails including, but not limited to, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

4. FEES, ACCOUNTING, AND REPORTS

- 4.1 Initial Franchise Fee. In consideration of the license and Franchise granted by MMIC, Franchisee shall pay MMIC, at the time of the execution of this Agreement, an initial franchise fee of \$45,000 (the "Initial Franchise Fee"). The Initial Franchise Fee shall be deemed fully earned and nonrefundable upon receipt by Franchisor.
- 4.2 Service Fee. Franchisee shall pay MMIC a weekly service fee (the "Service Fee") of \$1,000 or 4.5% of the week's Net Sales of the Restaurant, whichever amount is greater.
- A. For the purposes of this Agreement, "Net Sales" shall mean the aggregate of all revenue from the sale of Foods, Products and Services from all sources connected with the Restaurant, whether for check, cash, or otherwise including all proceeds from any business interruption insurance, but excluding (i) all refunds made in good faith, (ii) any sales and equivalent taxes that Franchisee collects for or on behalf of any governmental taxing authority and pays to the taxing authority, (iii) employee meals and the discounts offered for meals purchased with promotional coupons or other offers that have been approved by MMIC, and (iv) any rebates Franchisee receives from a manufacturer or supplier.
- B. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of whether, or of the time when, Franchisee shall receive the resulting payment (whether full or partial).
- C. The Service Fee shall be payable weekly on or before each Thursday for the preceding week, and otherwise as provided for in this Article. Franchisee will promptly execute and deliver to MMIC appropriate pre-authorized check forms (or such other instruments or drafts that MMIC's

bank requires) payable against Franchisee's bank account, so that MMIC may electronically collect (draft on Franchisee's account by electronic withdrawal) the Service Fees and Advertising and Promotion Fund Fees due under this Article.

4.3 Advertising and Promotion Fund Fees.

- A. Advertising Expenditures. Throughout the term, Franchisee shall spend at least MMIC's then-current minimum amounts on advertising. MMIC reserves the right to require Franchisee to spend up to a total 6% of the Restaurant's Net Sales on Local Advertising (as defined in Article 4.3(B)) and the Advertising and Promotion Fund Fee (as defined in Article 4.3(C)) upon notice to Franchisee. Franchisee is currently required to spend 1% of the Restaurant's Net Sales on Local Advertising and 2% of the Restaurant's Net Sales as an Advertising and Promotion Fund Fee, however, MMIC reserves the right to increase these required amounts and/or require Franchisee to allocate differing amounts or proportions to Local Advertising or to the Advertising and Promotion Fund.
- B. Local Advertising. Except during the 90-day period following the opening of the Restaurant, Franchisee shall spend each week the then-required minimum amount of the Restaurant's weekly Net Sales in accordance with Article 4(A) above for approved advertising and promotion of the Restaurant within Franchisee's Designated Area ("Local Advertising"). Franchisee may determine the timing, manner, media, and supplier of such Local Advertising, subject to MMIC's prior approval. Upon MMIC's request, Franchisee shall provide proof that the Local Advertising expenditures were made for any given period. If Franchisee fails to spend the then-required minimum for approved Local Advertising in Franchisee's Designated Area, Franchisee shall pay the difference between the amount Franchisee was required to spend and Franchisee's actual Local Advertising expenditures to MMIC as an additional Service Fee. MMIC has no obligation to spend any amount on Local Advertising in Franchisee's Designated Area.
- C. Advertising and Promotion Fund. Except during the 90-day period following the opening of the Restaurant, Franchisee agrees to pay MMIC on a weekly basis, the then-required minimum amount of the Restaurant's weekly Net Sales as an "Advertising and Promotion Fund Fee" for national or regional advertising. The Advertising and Promotion Fund Fee shall be due at the same time and paid in the same manner as the Service Fee. MMIC or its designee shall (i) administer the monies in the Advertising and Promotion Fund (the "Fund"), (ii) direct all national and regional advertising programs, and (iii) have sole discretion to consent to or reject all creative concepts, materials, media, placement and allocation. MMIC shall not be a fiduciary to Franchisee with respect to the management of the Fund and, at MMIC's sole discretion, MMIC may have the Fund managed by a third party.
- D. Use of Monies in Fund. MMIC and its designees undertake no obligation to (i) make expenditures in the area where the Restaurant is located that are equivalent or proportionate to Franchisee's contributions to the Fund, or (ii) ensure that any particular franchisee benefits directly or pro rata from the placement of such advertising. The monies in the Fund may be applied to

MMIC's costs of maintaining, administering, directing and preparing local, regional or national advertising (including, without limitation, marketing research, public relations activities, creation or development of marketing programs and initiatives, web-based marketing programs, email marketing databases, internal and external administrative costs, salaries and fees related to the management, administration or direction of such monies and programs, production and media placement costs, and employing advertising, marketing or public relations agencies for assistance); provided, however, that such monies in the Fund shall not be used to defray MMIC's other general operating expenses. Any interest accruing to the monies in the Fund will be used before application of principal. The Fund shall be accounted for separately and an annual statement of Fund expenditures shall be delivered to Franchisee upon request.

- 4.4 Grand Opening Advertising. MMIC may, in its sole discretion, require Franchisee to spend \$10,000 to \$25,000 on the advertising and promotion of the Restaurant including, without limitation, newspaper, direct mail, promotional items, and other media during the first 90 days of the operation of the Restaurant ("Grand Opening Advertising"). Franchisee shall conduct the Grand Opening Advertising in accordance with the specifications set forth in the Operating Manuals or otherwise in writing by MMIC. Franchisee shall submit to MMIC a Grand Opening Advertising marketing plan, in accordance with the requirements set forth in the Operating Manuals or as otherwise required by MMIC, 90 days prior to the Restaurant's opening for business. All Grand Opening Advertising expenditures must be approved in advance by MMIC. MMIC may, in its sole discretion, require Franchisee to pay the Grand Opening Advertising expenses directly to MMIC, in which event MMIC will spend such amounts on Franchisee's behalf as determined by MMIC.
- 4.5 Reports and Due Date. Within 10 days after the end of each month during the term of this Agreement, Franchisee shall submit financial statements for the Restaurant for the preceding month, and such other additional information as may be reasonably required by MMIC from time to time, on a form furnished or approved by MMIC. Franchisee must report its financial information in accordance with such forms as they are changed from time to time in MMIC's sole discretion. Franchisee shall submit a weekly Net Sales report to MMIC by facsimile, email or overnight courier service so that MMIC receives each weekly Net Sales report on Tuesday reporting the Restaurant's Net Sales for the preceding week (Monday - Sunday) on a form furnished or approved by MMIC upon which Franchisee's Service Fees and Advertising and Promotion Fund Fees are based. Such required financial statements and reports shall be signed by Franchisee or on behalf of Franchisee by a duly authorized officer or Owner if Franchisee is an Entity. Any person signing any financial statements or reports submitted to MMIC on behalf of Franchisee, by his or her signature, shall automatically be deemed to certify that such financial statements or reports are true and correct to the best of his or her knowledge after due diligence. Franchisee consents to the disclosure of its annual Net Sales and financial results of operation in MMIC's Franchise Disclosure Document and other franchise marketing materials. If Franchisee fails to report its Net Sales on a timely basis, MMIC may estimate Franchisee's Net Sales to prepare a provisional estimate for billing purposes for that period. On the 10th day of each month, MMIC will collect from Franchisee all amounts due to MMIC for Franchisee's Service Fee,

Advertising and Promotion Fund Fee and other Fees due to MMIC for the previous month and deposit into its account Franchisee's pre-authorized check or other instrument for the Fees due either pursuant to Franchisee's report or MMIC's estimate. Any unpaid Service Fee, Advertising and Promotion Fund Fee or other Fees past due and owing to MMIC will bear interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. Franchisee will pay MMIC for any and all costs MMIC incurs in collecting unpaid and past due Fees, including attorneys' fees. If Franchisee fails to timely pay MMIC the Service Fee and/or Advertising and Promotion Fund Fees on two occasions in any 12-month period, MMIC may require Franchisee and Franchisee agrees to pay the Service Fee and Advertising and Promotion Fund Fees weekly in the same manner as described in this provision, which fees will be due no later than Tuesday each week based upon the previous week's Net Sales.

- 4.6 Financial Statements. Within 120 days after the end of each fiscal year, Franchisee must, at Franchisee's expense, submit to MMIC annual financial statements, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements for Franchisee with a separate annual report for the Restaurant. Such financial statements shall be certified by an officer or Owner of Franchisee to be true and correct to the best of his or her knowledge after due diligence. The annual financial statements must be compiled by an independent certified public accounting firm. Franchisee must also send MMIC an activity report and a profit and loss statement for the preceding calendar quarter in a form approved by MMIC on or before the 28th day after the end of each calendar quarter. MMIC may format bookkeeping reports and forms for Franchisee to report financial information.
- 4.7 Tax Returns. Franchisee must submit monthly sales tax returns to MMIC at the same time as Franchisee submits such sales tax returns to the State Treasury Department or other taxing authority. Franchisee shall submit its annual tax returns for federal, state and local taxes to MMIC at the same time as Franchisee submits such tax returns to the applicable taxing authority.
- 4.8 Other Reports. Franchisee must submit such other periodic reports, forms and records as specified from time to time in writing by MMIC in the Operating Manuals or otherwise. Franchisee shall record all sales and financial information as required by the Operating Manuals. MMIC reserves the right to independently electronically access Franchisee's sales or other financial information recorded by Franchisee. Franchisee consents to MMIC's independent electronic access to any and all financial information related to the Restaurant.
- 4.9 Inspection of Records. Franchisee must retain, during the term of this Agreement and for three years thereafter, all books and records related to the Restaurant including, without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, other tax returns, cash receipts, and disbursement journals and general ledgers. MMIC, its certified public accountants or other duly authorized agent, shall have the right at all reasonable times to inspect and make copies of Franchisee's books, records and tax returns at MMIC's expense. Franchisee agrees to keep complete and accurate books and records of its operation of the Restaurant in accordance with the standard accounting system described in the Operating Manuals or otherwise

in writing. If any audit or investigation discloses a deficiency in the computation of the total actual Net Sales made at the Restaurant from that reported to MMIC to any extent of at least 2% for any reporting period, Franchisee shall bear the reasonable expenses of the audit and investigation. Irrespective of the amount of the understatement, Franchisee will pay all Service Fees and Advertising and Promotion Fund Fees that would have been paid on the amount of the deficiency had it been properly reported, plus interest at the rate specified in this Article, which shall be paid in the same manner as the Service Fees and Advertising and Promotion Fund Fees.

- 4.10 Interest. All amounts payable by Franchisee to MMIC, its Affiliates or designees, whether or not pursuant to this Agreement, that are late shall bear interest at the rate of 18% per annum or, if a lower maximum contract rate is required by applicable law, then at the maximum rate permitted by such law, which interest shall be computed from the due date to the date paid. All amounts paid shall be first applied to interest, and the balance to principal.
- 4.11 Required Accounting Services. The accounting and bookkeeping functions of Franchisee shall conform to the uniform system of accounting and document retention as prescribed by MMIC. Franchisee's annual financial statements must be compiled by an independent certified public accounting firm. By executing this Agreement, Franchisee waives any accountant-client privilege and consents to allow Franchisee's accounting firm to disclose directly to MMIC information required to be disclosed by Franchisee to MMIC.
- 4.12 Payment of Fees. Franchisee shall remit the full amount of the Service Fee and any Advertising and Promotion Fund Fee applicable to the Net Sales for each month in compliance with this Agreement and the Operating Manuals. Franchisee shall not make any offset or claim against any Fees unless otherwise expressly provided in this Agreement. Payments of Fees shall be made by electronic funds transfer.

5. APPROVED SUPPLIES AND SUPPLIERS

- 5.1 Approved Suppliers List and Approved Supplies Lists. MMIC shall periodically provide Franchisee with an approved suppliers list (the "Approved Suppliers List") and approved supplies list (the "Approved Supplies List"). Such lists may specify, without limitation, the approved architects, contractors, accountants, bookkeepers, manufacturers, suppliers and distributors and the Foods, Products and Services that MMIC has approved to be carried or used in the Restaurant. MMIC may revise the Approved Suppliers List and the Approved Supplies List from time to time in its sole discretion. Such approved lists will be given to Franchisee as MMIC deems advisable or at Franchisee's request.
- 5.2 Unapproved Supplies or Suppliers. If Franchisee wants to (A) offer for sale at the Restaurant any brand of product not then approved by MMIC, (B) use any brand of food ingredient or other material or supply in the operation of Restaurant that is not then approved by MMIC as meeting its minimum specifications and quality standards, or (C) purchase any product from a supplier that is not then designated by MMIC as an Approved Supplier, Franchisee must first notify MMIC in writing and, if requested by MMIC, submit samples and such other information as MMIC requires for examination and/or testing or to otherwise determine whether such

product, material or supply, or such proposed supplier meets its specifications and quality standards. Franchisee must pay a charge to MMIC not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test and approval of the proposed supplier. MMIC reserves the right, at its option, to re-examine or re-test the facilities and products of any supplier of an approved item and to revoke such approval if such item fails to continue to meet any of MMIC's criteria. MMIC will send written notice to Franchisee of any approval or revocation of an Approved Supplier.

- 5.3 Supplier Criteria. MMIC approves suppliers who can match the exact ingredients, blend, freshness standards, overall quality and appearance standards required by the System. MMIC applies the following general criteria in approving a proposed supplier: (A) ability to make products in conformity with MMIC's specifications; (B) willingness to protect the trade secrets of a product without dissemination to others; (C) production and delivery capability; (D) reputation and integrity of supplier; (E) financial condition and insurance coverage of the supplier; (F) adherence to food safety standards; and (G) Hazard Analysis and Critical Control Points (HACCP) approved.
- 5.4 Standards and Specifications. All furniture, equipment, signs, fixtures, inventory, products and materials, branded items, brand identity items, and other items and supplies used in the construction and operation of the Restaurant that are not specifically required to be purchased in accordance with MMIC's Approved Supplies List and Approved Suppliers List must conform to the specifications and quality standards established by MMIC from time to time.

6. TRAINING

- 6.1 Initial Training. MMIC shall conduct an initial management training program ("Management Training") for Franchisee or Franchisee's Representative, if different from Franchisee, the Operating Manager (if applicable), the Unit General Manager and three other Managers (the "Management Team") as part of the Initial Franchise Fee. The Management Training program will consist of from 30 to 40 days (as determined by MMIC in its discretion, depending upon the trainee's experience with the System) of on-the-job training at a location designated by MMIC, and from five to 10 days (as determined by MMIC in its discretion, depending upon the trainee's experience with the System) of classroom training at MMIC's Headquarters. The Management Team is required to be "certified" and must satisfactorily complete, as determined in MMIC's sole discretion, the Management Training program at least 40 days prior to the opening of the Restaurant.
- 6.2 Failure to Complete Training. If Franchisee or any member of its Management Team fails to successfully complete the Management Training program to MMIC's satisfaction, in MMIC's sole judgment, at least 35 days prior to the opening of the Restaurant, MMIC may cancel this Agreement effective upon Franchisee's receipt of written notice of cancellation from MMIC.
- 6.3 Crew Training. MMIC shall provide up to eight days of on-site training ("Crew Training") for Franchisee's employees and staff (the "Crew") as set forth in the Operating Manuals. Franchisee's Crew must begin Crew Training no later than 10 days before the opening of the Restaurant for business. The attendees at Crew

Training must include at least 90% of the Crew required to open the Restaurant, as set forth in the Operating Manuals. The Crew Training will consist of on-site training at a location designated by MMIC or at the Restaurant. MMIC's training personnel shall complete the remaining Crew members after the Restaurant has opened for business. If MMIC deems, in its sole discretion, that Franchisee's Crew needs additional training beyond MMIC's standard Crew Training, the Crew members designated by MMIC will attend such additional training, and MMIC may charge Franchisee a per diem fee plus the travel and living expenses for the MMIC personnel providing this additional training.

- 6.4 New Managers. If Franchisee hires additional or replacement Managers during the term of this Agreement, Franchisee shall send these Managers to the Management Training program required by MMIC, the classroom training at a location designated by MMIC, and a minimum of 40 days of on-the-job training at a location designated by MMIC. MMIC may charge Franchisee training fees for such training.
- 6.5 Required Managers; Additional Training. Franchisee is required to have a certified Unit General Manager and three Managers on staff at all times. Franchisee's Unit General Manager must be certified by MMIC annually. MMIC may in its discretion require the Management Team, and/or Crew members to attend additional training programs and seminars during the term of this Agreement. MMIC may charge Franchisee training fees for such additional training.
- 6.6 Expenses. In addition to any training fees charged by MMIC, Franchisee shall be responsible for all costs and expenses associated with the Management Team's wages and benefits, and living and travel expenses while attending the Management Training program. All expenses of Franchisee and Franchisee's employees to travel to and attend the initial and on-going Management Training, the initial and on-going Crew Training and all other training programs or seminars including, without limitation, employee salaries and benefits, and travel, food, and lodging expenses, shall be Franchisee's responsibility.
- 6.7 Certified Training Restaurant. If this Agreement is for Franchisee's and/or an Affiliate's third bd's Mongolian Grill® Restaurant, Franchisee must designate one of its operational Restaurants to be certified by MMIC as a "Certified Training Restaurant." Thereafter, Franchisee shall conduct the Management and Crew Training programs for the Restaurant and any subsequent Restaurants open by Franchisee or an Affiliate at the Certified Training Restaurant as provided for in the Operating Manuals. In that event, MMIC will provide a New Restaurant Team leader at Franchisee's Certified Training Restaurant for the term of the Management and Crew Training programs conducted at the Certified Training Restaurant.
- 6.8 New Restaurant Team. The New Restaurant Team shall assist Franchisee at the Franchised Location with (A) training Franchisee's Crew at the Restaurant; and (B) the opening of the Restaurant. The New Restaurant Team for a bd's Mongolian Grill® Restaurant typically consists of a combined total of approximately eight employees of MMIC and Franchisee. The actual number of members of the New Restaurant Team for the Restaurant and the total number of days that the New Restaurant Team assists Franchisee at the Franchised Location shall be determined by MMIC in its sole discretion, depending upon the number of Restaurant locations already open and operating by Franchisee and/or an Affiliate,

and such other criteria as MMIC deems reasonable. The members of the New Restaurant Team shall be determined by MMIC in its sole discretion. The number of MMIC's employees selected to serve on the New Restaurant Team for the Restaurant will be determined according to the following schedule; provided however, that MMIC may elect to modify this schedule in its discretion:

Restaurant No. Operated By Franchisee	No. of MMIC's Employees on the New Restaurant Team	No. of Team Members Paid for by MMIC	Team Members Paid for and Provided by Franchisee
1	8	8	0
2	4	4	Minimum of 4
3 and more	0	0	Minimum of 8

In the event MMIC determines that more than eight New Restaurant Team members are necessary for the opening of the Restaurant, if Franchisee owns five or more bd's Mongolian Grill® Restaurants (including the Restaurant governed by this Agreement), Franchisee shall be responsible for all the costs and expenses associated with the New Restaurant Team members in excess of eight. If when Franchisee executes this Agreement, Franchisee owns less than five bd's Mongolian Grill® Restaurants, MMIC will bear the costs of the additional New Restaurant Team members. Otherwise, MMIC shall pay the salaries and benefits of the New Restaurant Team members provided by MMIC while assisting with the opening of the Restaurant, and Franchisee shall pay for all the travel, food and lodging arrangements and all other expenses for the New Restaurant Team members provided by MMIC to assist with the opening of the Restaurant, as determined by MMIC's New Restaurant Opening guidelines. If Franchisee fails or is unable to timely provide the New Restaurant Team members required by this provision for the opening of the Restaurant, MMIC may, but shall not be obligated to, staff the New Restaurant Team with MMIC's employees. In that event, MMIC shall be responsible for (i) all travel, per diem food and lodging expenses, and (ii) the salaries, benefits and other expenses of the New Restaurant Team members; provided however, that Franchisee shall reimburse MMIC, within 10 days after receiving an invoice from MMIC indicating the amount owed, for the expenses incurred by MMIC for the employees who are provided by MMIC as a result of Franchisee's failure or inability to provide its employees for participation on the New Restaurant Team.

- 6.9 Pre-Opening Assistance. MMIC shall advise Franchisee in organizing pre-opening advertising and establishing office and accounting systems and procedures described in the Operating Manuals. MMIC, in its sole discretion, shall approve the proposed date of opening the Restaurant taking into consideration, without limitation, successful completion of the construction or remodeling of the Restaurant, and the Management Team's and Crew's successful completion of the training programs. If the Restaurant is the first bd's Mongolian Grill® Restaurant established by Franchisee or its affiliates, MMIC shall provide such on-site pre-opening and opening assistance as MMIC reasonably deems necessary; provided that, pre-opening and opening assistance shall be subject to the availability of MMIC's personnel; and provided that Franchisee shall reimburse MMIC for any expenses incurred by MMIC's representatives, such as costs of travel, lodging, meals, and wages.

- 6.10 Franchisee Meetings. MMIC will organize and implement meetings to the Management Team or other key Franchisee employees, as determined by MMIC, are required to attend (“Franchisee Meetings”). Franchisee is responsible for all salaries and benefits, and all travel, accommodations and other expenses related to Franchisee’s and Franchisee’s employees’ attendance at the Franchisee Meetings. The location of the Franchisee Meetings will be determined by MMIC. Topics of such Franchisee Meetings may include, without limitation, operational issues, “best practice” sharing, new products/services presentations, Operating Manuals amendments and other topics determined by MMIC.

7. QUALITY AND UNIFORMITY STANDARD REQUIRED OF FRANCHISEE

- 7.1 General Standards and Specifications. To preserve the System’s reputation for quality, Franchisee shall operate the Restaurant and prepare and sell all Foods, Products and Services sold or used at the Restaurant in accordance with the specifications, standards, business practices, policies and procedures of MMIC now in effect or later promulgated for its Affiliates and franchisees, and comply with all requirements of the System as now or later set forth in the Operating Manuals or as otherwise established by MMIC.
- 7.2 Operating Standards. Franchisee acknowledges that the Menu Items sold under the Marks and the Restaurants licensed to use the System have a reputation for quality. This reputation has been developed and maintained by MMIC and its Affiliates, and Franchisee acknowledges that it is of the utmost importance to MMIC. Franchisee shall comply with all mandatory standards, specifications, operating procedures, and rules of MMIC contained in the Operating Manuals or otherwise in writing, which MMIC may amend from time to time in its sole discretion, relating to, without limitation: (A) the safety, maintenance, cleanliness, sanitation, function and appearance of the Restaurant’s premises and its FF&E, decor and signs and related maintenance and service agreements; (B) the training, dress, general appearance and demeanor of Restaurant’s employees; (C) type, quality, taste, manner of preparation, packaging, displays and sale of all Menu Items sold by the Restaurant and of all food, beverages and other products used in the preparation, presentation, packaging and sale of such Menu Items; (D) the marketing and sale of novelty and promotional items bearing the Marks, such as cups, T-shirts, sauces, and related merchandise and accessories; (E) the days and hours during which the Restaurant will be open for business; (F) advertising and promotional programs; (G) the use and retention of standard forms; (H) recipes; (I) use and illumination of signs, posters, displays, menu boards and similar items; (J) identification of Franchisee as the owner of the Restaurant; (K) the presentation of the Marks; (L) the handling of customer complaints; (M) participation in any programs adopted by MMIC for the issuance, acceptance and administration of gift cards or gift certificates; and (N) participation in any guest loyalty programs adopted by MMIC.
- 7.3 Compliance with Standards. It is understood and agreed that the mandatory standards established by this Agreement including, but not limited to, the inspection and audit rights provided in this Agreement, and the provisions of the Operations Manuals are reasonable means by which MMIC seeks to avoid and prevent conduct which is likely to impair the value of and the goodwill associated with the Marks and the System being licensed under this Agreement and do not reflect any right or effort by MMIC to control the day-to-day operation of the

Restaurant or the business decisions of Franchisee. Franchisee agrees to comply with all mandatory provisions of the Operations Manuals, as they may be revised from time to time by MMIC in the exercise of its business judgment; provided, however, that those portions of the Operations Manuals that are expressly designated as recommendations are not intended to limit or control the business decisions of Franchisee. Franchisee understands and acknowledges that over the term of this Agreement it may be appropriate for MMIC, in the exercise of its business judgment, to adopt standards and business principles needed to maintain the reputation, legal status or competitive position of the Marks and the System and to reflect such details in the Operations Manuals. To the extent that the Operations Manuals, as they may be amended from time to time, conflict with this Agreement, the provisions of the Operations Manuals then in effect shall control. Franchisee further understands and acknowledges that due to local circumstances, MMIC may occasionally adopt different standards and business principles to apply to different market areas or types of bd's Mongolian Grill® restaurants.

- 7.4 Compliance with Laws. Franchisee shall comply with all applicable federal, state, city, local governmental and municipal laws, statutes, ordinances, rules and regulations pertaining to the construction, renovation or remodeling of the Site and/or the operation of Franchisee's Restaurant including, but not limited to: (a) health, food service and liquor licensing laws; (b) health and safety regulations and laws; (c) menu disclosure laws; (d) environmental laws; (e) employment laws (including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual harassment laws, disability and discrimination laws); (f) credit card and debit card laws applicable to consumers, including all privacy laws, and (g) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state, and local income tax laws). Franchisee will timely obtain and maintain all permits, certificates and licenses necessary for the full and proper conduct of the Restaurant, including, without limitation, a food service license, all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health and safety permits, certificates of occupancy and all permits, certificates and licenses required under any applicable environmental law, rule or regulation. If Franchisee receives notice from any federal, state or local unit of government that it is not in compliance with some federal, state or local governmental laws, ordinances, regulations or rules, Franchisee shall immediately provide notice of such violation to MMIC.
- 7.5 Operation of Restaurant. Franchisee will be totally and solely responsible for the operation of its Restaurant, and will control, supervise and manage all the employees, agents and independent contractors who work for or with Franchisee. Franchisee will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations. MMIC will not have any right, obligation or responsibility to hire, control, supervise, manage or fire Franchisee's employees, agents or independent contractors, and will no way be involved in the day-to-day operations of

Franchisee's Restaurant. Neither Franchisee nor any employee of Franchisee will be considered an employee of MMIC under any circumstances. To the extent any legal authority determines that MMIC has a duty to act or not act with respect to any of Franchisee's employees, MMIC hereby assigns to Franchisee any such duty, and Franchisee hereby accepts such assignment.

7.6 Franchisee Warranties. Franchisee represents, warrants and covenants to MMIC that: (A) neither Franchisee, nor any individual or Entity owning directly or indirectly any interest of Franchisee (if Franchisee is an Entity) or their respective Affiliates or the funding sources for any of the foregoing is an individual or Entity whose property or interests are subject to being blocked under Executive Order 13224 issued by the President of the United States of America, the Terrorism Sanctions Regulations (Title 31 Part 595 of the U.S. Code of Federal Regulations), the Terrorism List Governments Sanctions Regulations (Title 31 Part 596 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31 Part 597 of the U.S. Code of Federal Regulations), and the Cuban Assets Control Regulations (Title 31 Part 515 of the U.S. Code of Federal Regulations), the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists (including, without limitation, the Specially Designated Nationals and Blocked Persons List) and any other requirements of any governmental authority (including, without limitation, the United States Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as later supplemented, amended or modified from time to time, and the present and future rules, regulations and guidance documents promulgated under any of the foregoing, or under similar laws, ordinances, regulations, policies or requirements of other states or localities ("OFAC Laws and Regulations") or is otherwise in violation of any of the OFAC Laws and Regulations; (B) neither Franchisee nor any individual or Entity owning directly or indirectly any interest of Franchisee or their respective Affiliates or the funding sources for any of the foregoing, (i) is under investigation by any government authority for, or has been charged with, or convicted of, OFAC Laws and Regulations, (ii) has been assessed any penalties under these laws, or (iii) has had any of its funds seized or forfeited in any action under these laws; (C) neither Franchisee nor any individual or Entity owning directly or indirectly any interest of Franchisee or their respective Affiliates or the funding sources for the foregoing is directly or indirectly owned or controlled by the government of a country that is subject to an embargo imposed by the United States Government, nor acting on behalf of a government; and (D) Franchisee has taken and will continue to take all reasonable measures to ensure compliance with all OFAC Laws and Regulations.

7.7 Operating Manuals. Franchisee acknowledges that the Operating Manuals are an integral part of the System. At all times, Franchisee shall maintain an updated set of the Operating Manuals in its Restaurant. Franchisee shall, at all times during the term of this Agreement, operate its Restaurant in compliance with the Operating Manuals, as amended from time to time. The Operating Manuals continue to be the property of MMIC during the term of this Agreement. Franchisee agrees not to reproduce all or any part of the Operating Manuals. Franchisee understands that the Operating Manuals contain Confidential information of MMIC, and Franchisee agrees not to disclose the contents of the Operating Manuals to anyone not employed by Franchisee. Franchisee further agrees and warrants not

to disclose the contents of the Operating Manuals to any employee of Franchisee except on a “need-to-know” basis. In the event of any dispute as to the contents of the Operating Manuals, the master copy in MMIC’s possession shall control. MMIC may unilaterally modify the Operating Manuals under any conditions.

- 7.8 Opening of Restaurant. Franchisee will construct or remodel the Franchised Location, install the FF&E, stock with required inventory, and open the Restaurant for business to the public within 9 calendar months following the month in which the Effective Date of this Agreement occurs. The opening date of the Restaurant shall be determined by MMIC in its sole discretion. Failure to open the Restaurant within this time period may cause Franchisee to be in default of this Agreement as set forth in Article 10 of this Agreement.
- 7.9 Inspections. Franchisee consents to inspections of the Restaurant, from time to time, by agents or other representatives of MMIC to determine Franchisee’s compliance with the System. Franchisee must achieve a particular score or grade on such inspections as provided in the Operating Manuals. If the Restaurant does not pass the inspections, follow up inspections will be conducted within 30 days. Should Franchisee, for any reason, fail to correct such deficiencies after an inspection in accordance with MMIC’s then-current operations standards, as determined by MMIC, MMIC shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor’s expenses in so taking the corrective action and/or reinspecting or causing the Restaurant to be reinspected, plus all costs and expenses related to any reinspection. Any such fee, which may have been incurred by an authorized representative of MMIC, is payable by Franchisee immediately upon demand. Franchisee shall also be responsible for Failure to achieve satisfactory inspection scores or grades may result in the issuance of a default notice under Article 8 of this Agreement. Franchisee also consents to System performance reviews to grade and evaluate the compliance with the System. MMIC will organize and implement System performance review programs and Franchisee agrees to pay the cost and expenses of such programs. The Operating Manuals specifically disclose the criteria used in the inspections and review, and also specify MMIC’s expectations for Franchisee’s performance. Franchisee shall promptly provide to MMIC copies of all inspections performed by any governmental unit including, without limitation, the Health Department, police or fire departments, and liquor license investigators.
- 7.10 Approved Products and Supplies. Franchisee shall sell or use at the Restaurant the Foods, Products and Services that MMIC from time to time authorizes in its Approved Supplies List and the Operating Manuals, and shall have those products, supplies and services provided or performed by those listed in the Approved Suppliers List. Franchisee shall not sell or use at the Restaurant any other category of foods, products, goods or services, and shall not use the Restaurant’s premises for any purpose other than the operation of the Restaurant in full compliance with this Agreement and the Operating Manuals. Any effort to provide catering services or do business at a location other than at the Restaurant must be approved in advance by MMIC.
- 7.11 Insurance. Franchisee shall at all times during the term of this Agreement and at its own expense keep in force the following policies of insurance at the following minimum amounts, with deductibles not to exceed \$10,000, which policies of

insurance and amounts may be changed from time to time by MMIC in the Operating Manuals in MMIC's sole discretion:

- A. Comprehensive General Liability Insurance, which includes coverage (or separate policies) for products liability, bodily injury, property damage, data security/cyber breach liability and food-borne illness liability, for an amount not less than \$1,000,000 per occurrence with a \$2,000,000 aggregate.
- B. Owned, Non-Owned, and Hired Automobile Liability Insurance for an amount not less than \$1,000,000 combined single limit.
- C. Workers' Compensation Insurance as required by applicable state law, which coverage shall be in effect for any of Franchisee's employees who participate in training programs provided by MMIC, at the time such training programs commence;
- D. Employers' Liability Insurance for an amount not less than \$500,000 each accident, \$500,000 each employee, and \$500,000 policy limit;
- E. Liquor Liability Insurance for an amount not less than \$1,000,000 per occurrence with a \$2,000,000 aggregate.
- F. Employee Dishonesty coverage of not less than \$20,000 per occurrence; money and securities coverage of inside and outside of not less than \$10,000 per occurrence.
- G. Umbrella Liability Coverage for an amount not less than \$5,000,000 per occurrence.
- H. Building, personal property, and leasehold improvements coverage, if applicable, under an "all risk" property form with replacement costs endorsement in an amount equal to 100% of the values of these items;
- I. Business Interruption Insurance providing monthly coverage for earnings on an "actual loss sustained basis" for a minimum of 12 months or, if "actual loss sustained" coverage is not obtainable, Franchisee must obtain Business Insurance (an extra expense) coverage (utilizing a valuation that shall include the equivalent of net income before taxes). For each month that Franchisee files a claim under this policy, Franchisee shall pay MMIC the weekly Service Fee and Advertising and Promotion Fund Fee based upon the Net Sales for the Restaurant during that week in the previous year. If Franchisee was not operating during that week in the previous year, Franchisee shall pay MMIC the Service Fee and Advertising and Promotion Fund Fee based upon the weekly Net Sales for the last week of operation.
- J. Franchisee shall name MMIC as an "additional insured" on Franchisee's Comprehensive General Liability Insurance, Liquor Liability Insurance, and Products Liability Insurance, protecting both Franchisee and MMIC from any liability by reason of the ownership, maintenance or operation by Franchisee of the Restaurant licensed by this Agreement. All insurance policies shall be written with an insurance company that has an A.M. Best's analytical rating of "A" or better and in the A.M. Best's financial size category of Class VIII or better. All policies shall stipulate that MMIC shall

receive not less than 30 days prior written notice of cancellation, non-renewal, or material change to the policies. Franchisee shall annually provide to MMIC appropriate certificates of insurance evidencing the required insurance, or shall provide such other proof of insurance acceptable to MMIC. Failure to obtain or maintain the required insurance shall be a material breach under this Agreement; provided that if Franchisee fails to obtain any of the required insurance, MMIC may, but is not required to, obtain such insurance and keep the same in full force without prejudice to any other remedies that it may have under this Agreement, at law or in equity, and Franchisee shall pay MMIC, upon demand, the premium cost of such insurance.

K. Franchisee's obligation to obtain and maintain these insurance policies in the amounts specified shall not be limited in any way by reason of any insurance that MMIC may maintain, nor does Franchisee's procurement of required insurance relieve Franchisee of liability under the indemnity obligations described in Article 14. Franchisee's insurance procurement obligations under this Article 7.11 are separate and independent of Franchisee's indemnity obligations. MMIC does not represent or warrant that any insurance that Franchisee is required to purchase will provide adequate coverage for Franchisee. Franchisee should consult with its own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by MMIC. The insurance requirements set forth above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits.

- 7.12 Menu Items. Franchisee shall offer for sale and sell at the Restaurant the Menu Items that MMIC from time to time authorizes. Franchisee shall not offer for sale or sell at the Restaurant any other menu items or use the Restaurant's premises for any purpose other than the operation of the Restaurant in full compliance with this Agreement. All Menu Items shall be prepared only by properly trained personnel strictly in accordance with MMIC's recipes, cooking techniques and processes, and its Operating Manuals, and shall be sold only at retail to customers in conformity with MMIC's marketing plan and the System. If MMIC develops special promotional Menu Items and/or new Menu Items, Franchisee must offer such promotional and/or new Menu Items at the Restaurant.
- 7.13 Sufficient Inventories. Franchisee must maintain an inventory of ingredients, food and beverage products, and other products, materials and supplies which will be sufficient to operate the Restaurant at maximum capacity. In the operation of the Restaurant, Franchisee must use only displays, trays, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as prescribed by the Operating Manuals.
- 7.14 Promotional Items. If MMIC develops and markets special novelty or promotional items for bd's Mongolian Grill® Restaurants, Franchisee must maintain a representative inventory of such items. MMIC may make promotional items available to Franchisees at its cost plus a reasonable mark-up. Franchisee may purchase alternative promotional items, provided that such alternative items meet MMIC's specifications and quality standards.

- 7.15 Alterations. Franchisee shall not make material alterations to the Restaurant or make material replacements of or alterations to the FF&E of the Restaurant without the prior written approval by MMIC.
- 7.16 Maintenance of Restaurant - Cleanliness. Franchisee shall at all times maintain the interior and the exterior of its Restaurant and the surrounding areas used in connection with the Restaurant in the highest degree of cleanliness, orderliness and sanitation and in compliance with the Operating Manuals, and all state and municipal laws, ordinances and regulations. If Franchisee fails to comply with this provision, and Franchisee has not cured the default at the expiration of the 24-hour period following receipt of written notice by MMIC to Franchisee setting forth the specific failure of Franchisee to abide by the terms of this provision, then MMIC, without being liable in any manner for trespass, negligence or fault, and without prejudice to any other remedies available to MMIC, may enter the Restaurant premises and take such actions as are reasonably necessary so that the Restaurant is placed in compliance with this Agreement and with applicable laws. Upon MMIC's demand, Franchisee shall reimburse MMIC for all costs incurred by MMIC to take such remedial actions.
- 7.17 Maintenance of Premises - Renovation and Repair. Franchisee shall renovate and modernize the Restaurant's building, premises, furniture, fixtures, signs, and equipment upon MMIC's request, but not more than once every seven years during the term of this Agreement (one renovation or modernization each in years 1-7, and years 8-14, and again upon reacquisition of the Franchise, if applicable), to conform to the building design, trade dress, color scheme, and presentation of the Marks consistent with the current image of Restaurants using the System; provided, however, that if such renovation or modernization is required of MMIC's Affiliates and, to the extent practicable, other MMIC franchisees, the cost of such renovation and modernization shall not exceed 3% of the cumulative Net Sales for the five most recent years, except that this limit shall not apply to renovations and modernizations required to be undertaken as a condition to reacquire the Franchise for the Franchised Location. Franchisee shall renovate, repair and alter the exterior and interior of its Restaurant premises at its own expense as directed by MMIC within 120 days after receipt of written notice from MMIC setting forth the required repairs and alterations. If Franchisee fails to comply with this provision, and Franchisee has not completed the repairs and alterations, at the expiration of the 120-day period following receipt of written notice by MMIC to Franchisee setting forth the specific repairs or alterations that are required, then MMIC, without being liable for any manner of trespass, fault or negligence, and without prejudice to any of the other remedies available to MMIC, may enter the Restaurant premises and have the repairs or alterations completed to maintain the Restaurant premises in accordance with the required standards of MMIC. Franchisee shall reimburse MMIC for all costs incurred by MMIC to make the renovations, repairs, or alterations upon MMIC's demand.
- 7.18 Uniforms. All of Franchisee's employees shall wear uniforms of the design and color as from time to time shall be prescribed by MMIC.
- 7.19 Representative. Franchisee must designate a Representative on the Effective Date of this Agreement. Accordingly, Franchisee hereby designates _____ as its Representative. The Representative (A) must own Ownership Interests in Franchisee, and (B) is authorized to act on behalf of,

and bind, Franchisee with respect to this Agreement. Any replacement Representative shall be designated within 10 days of the prior Representative's resignation or termination. Each Representative shall attend and successfully complete to MMIC's satisfaction, all training programs required by MMIC.

- 7.20 Participation in Operation of Restaurant. MMIC does not require that an individual Franchisee personally supervise the operations of the Restaurant. The Restaurant must be directly supervised "on premises" by a Unit General Manager approved or "certified" by MMIC and who has successfully completed MMIC's Management Training program. The Unit General Manager may not have an interest in or business relationship with any Competing Business. The Unit General Manager need not have an Ownership Interest in Franchisee, if Franchisee is an Entity.
- 7.21 Confidentiality and Noncompetition Agreements. Franchisee (if Franchisee is an individual), all Owners (if Franchisee is an Entity), all officers, directors, the Operating Manager (if applicable), the Unit General Manager, Managers, and any other employee having access to the Confidential Information of MMIC shall be required to execute a confidentiality agreement and covenant not to compete in a form acceptable to MMIC.
- 7.22 Personal Guaranty. If Franchisee is an Entity, any person that owns or controls (by right to vote or otherwise) at least 5% of the Ownership Interests of the Entity, must personally guarantee the performance of Franchisee under this Agreement.
- 7.23 Operating Manager. If this Agreement is for the third Restaurant to be owned and operated by Franchisee, Franchisee must designate an Operating Manager within 60 days after the Effective Date of this Agreement. The Operating Manager will devote his or her full time to the operation of Franchisee's Restaurants, will be responsible for the day-to-day operations of the Restaurants, must satisfactorily complete the Management Training required by MMIC or have been otherwise certified or approved by MMIC as meeting MMIC's minimum qualifications, cannot have an interest or business relationship with any Competing Business, and must maintain his or her primary residence within 50 miles of the Restaurant. Franchisee's failure to name an Operating Manager in 60 days is a material breach of this Agreement and as such: (A) is grounds for the termination of this Agreement by MMIC after compliance with the provisions of this Agreement and applicable law; or in the alternative, at MMIC's sole discretion, (B) MMIC may (i) designate an Operating Manager who meets the qualifications and requirements of this provision; or (ii) appoint a representative of MMIC to function as the Operating Manager for a fee payable by Franchisee to MMIC in an amount to be determined by MMIC, until such time as a qualified Operating Manager is designated by Franchisee, which shall not exceed 30 days. If the current Operating Manager should resign and/or be terminated, Franchisee must designate a replacement Operating Manager within 10 days. The Operating Manager requirements described above remain the same for any replacement Operating Manager. If required by MMIC, the replacement Operating Manager must attend and satisfactorily complete the Management Training program offered by MMIC. Franchisee must pay the wages and benefits, and the travel and living expenses for the replacement Operating Manager while he/she is attending the Management Training program, as well as MMIC's expenses associated with conducting the Management Training program.

- 7.24 Unit General Manager; Managers. The Unit General Manager shall be approved or certified by MMIC on an annual basis. The Unit General Manager shall have on-site responsibility for the operation of the Restaurant and shall have satisfactorily completed the Management Training required by MMIC or have been otherwise certified or approved by MMIC as meeting MMIC's minimum qualifications. Franchisee must inform MMIC of the identity of its Unit General Manager and Managers. Franchisee shall notify MMIC in writing if it changes the Unit General Manager or any Manager. In the event that the Unit General Manager is unable to perform his/her duties as Unit General Manager, by reason of death, incapacity, failure to receive the annual approval or certification of MMIC, or otherwise, Franchisee shall replace the Unit General Manager and MMIC must approve the appointment of the replacement Unit General Manager. If required by MMIC, the replacement Unit General Manager must attend and satisfactorily complete the Management Training program offered by MMIC. Franchisee must pay the wages and benefits, travel and living expenses for the replacement Unit General Manager while he/she is attending the training program as well as MMIC's expenses associated with conducting the Management Training program. The Managers who satisfactorily complete MMIC's training must work on a full-time basis in the supervision and operation of the Restaurant. Franchisee must employ at all times at least three Managers, in addition to the Unit General Manager, who have successfully completed MMIC's training program to the satisfaction of MMIC or otherwise be certified by MMIC. If a new Manager is employed by Franchisee to replace any MMIC "certified" Manager, the replacement Manager must promptly attend and satisfactorily complete a Management Training program offered by MMIC. Franchisee must pay the wages and benefits, travel and living expenses for the replacement Manager while he/she is attending the Management Training.
- 7.25 Advertising Standards. Franchisee must refrain from any merchandising, advertising or promotional practice that is unethical or may be injurious to the business of MMIC or other bd's Mongolian Grill® Restaurants or to the goodwill associated with the Marks. If advertising and promotional materials are not obtained from MMIC, Franchisee shall submit to MMIC for approval all proposed advertising or promotional materials, or any signs or other materials containing any of the Marks that Franchisee wants to use in conjunction with the operation of its Restaurant. Franchisee shall not publish or disseminate to the public any such materials until it receives written approval from MMIC. MMIC shall not, by its approval of any proposed advertisement or promotional material, assume any responsibility for the contents of such advertising and promotional materials. Franchisee agrees to indemnify and hold harmless MMIC from any claims, demands, liability, costs and expenses incurred by MMIC that arise from the use of any such advertising or promotional materials.
- 7.26 Web-Based Advertising. Franchisee is prohibited from engaging in any activity with reference to the Internet, world-wide web, or any other publicly accessible computer network that would advertise or display information about Franchisee, MMIC, the Marks or the System. MMIC reserves the right to exclusively use this medium for advertising or promotion of MMIC, all of MMIC's franchisees and the System. MMIC may organize a web-based marketing program and make Franchisee's participation mandatory. The web-based marketing program may consist of activities such as, without limitation, email database marketing and other programs implemented in the Operating Manuals. MMIC further reserves the

exclusive right to market and sell trademarked items and prepackaged food items on this medium and has no obligation to account for or share profits with Franchisee. Franchisee shall not transmit or cause any other party to transmit advertisements or solicitations by email or other electronic media without first obtaining MMIC's written consent as to: (A) the content of such email advertisements or solicitations; and (B) Franchisee's plan for transmitting such advertisements or solicitations.

- 7.27 Internet and Intranet Matters. MMIC is the lawful, rightful and sole owner of the *gomongo.com* and any related Internet addresses, and Franchisee unconditionally disclaims any ownership interest in this Internet address and any Internet address that is similar. Franchisee will not have the right to use or register any Internet name or email address in any class or category that contains the words in the Marks or any abbreviation, acronym or variation of those words without MMIC's prior written consent. None of Franchisee or its principals, employees or agents will have the right to use any of the Marks or other intellectual property of MMIC on any social network, social media or online community on the Internet or any other online, digital or electronic medium including, but not limited to, any "blog," YouTube, Facebook, MySpace, Wikipedia, professional networks like Linked-In, live-blogging and micro-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites, and other similar social networking media or tools ("Social Media"), except with the prior written permission of MMIC. Franchisee and its principals, employees and agents will comply with all of MMIC's policies, standards and procedures for use of any Social Media that in any way references the Marks or involves the Restaurant. If MMIC develops an intranet network through which MMIC and its franchisees can communicate by email or similar electronic means, then Franchisee will use the bd's Mongolian Grill® Intranet site in strict compliance with the standards, protocols and restrictions that are set forth in the Operating Manuals. Franchisee will not transmit any confidential information, documents or data over the Internet without first encrypting the transmission using the encryption program adopted by MMIC for the Intranet site. Franchisee will not make any derogatory, defamatory or libelous statements in any transmission made through the Intranet site or by any other means.
- 7.28 Advertising Signs. Franchisee shall prominently display, at its own expense, in and upon its Restaurant, advertising signs of such nature, form, color, number, location, and size, and containing such legends as MMIC requires from time to time. Franchisee shall not display in or on the premises of its Restaurant, and shall promptly remove, any advertising signs or displays of any kind to which MMIC objects.
- 7.29 Promotional Programs. Franchisee shall participate in, at its expense, all systemwide promotional and marketing programs designated by MMIC.
- 7.30 Business Organization. If Franchisee is an Entity at any time during the term of this Agreement, Franchisee agrees and represents that:
- A. Franchisee has the authority to execute, deliver and perform Franchisee's obligations under this Agreement and is duly organized or formed and validly existing in good standing under the laws of the state of Franchisee's incorporation or formation;

- B. Franchisee's organizational or governing documents will recite that the issuance and transfer of any Ownership Interests in Franchisee are restricted by the terms of this Agreement, and all certificates and other documents representing Ownership Interests in Franchisee will bear a legend referring to the restrictions of this Agreement;
- C. Exhibit 2 to this Agreement will completely and accurately describe all of Franchisee's Owners and their Ownership Interests in Franchisee;
- D. Franchisee and its Owners agree to revise Exhibit 2 as may be necessary to reflect any ownership changes and to furnish such other information about its organization or formation as MMIC may request;
- E. Each of Franchisee's Owners who own at least 5% of the Ownership Interests of Franchisee must sign the Personal Guaranty attached hereto, undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between Franchisee and MMIC; and
- F. At MMIC's request, Franchisee will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of Franchisee's Owners and its agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).

7.31 Restrictions for Transfer to Entity. If Franchisee is an Entity, or any of Franchisee's rights under this Agreement are properly transferred to an Entity under this Agreement, a condition to MMIC's approval of such a transfer shall be Franchisee's placement of the following notation regarding transfer restrictions on all certificates (then issued and issued in the future) representing Ownership Interests in the Entity:

"This certificate and all rights thereunder and the transfer thereof are subject to the terms and conditions of a certain written agreement entered into with Mongolian Management and Investment Company, L.L.C."

Franchisee and its Owners shall take all actions necessary to comply with this provision, and provide MMIC with evidence of such actions in a form satisfactory to MMIC. Further, so long as the Entity that is Franchisee continues to own rights under this Agreement, Franchisee shall take no action which would cause the transfer notification to be removed from existing Ownership Interests or omitted from Ownership Interests issued in the future.

7.32 Information to MMIC. To facilitate market and System development and improvement, Franchisee shall promptly supply MMIC with such information (in addition to that otherwise provided for in this Agreement) as may be reasonably requested by MMIC.

7.33 Notice of Lawsuits. Franchisee shall notify MMIC, in writing, within five days after the commencement of any action, suit or proceeding, in any court, agency, arbitration venue, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee's Restaurant operations. Franchisee shall notify MMIC within five days after the issuance of any judgment, arbitration, decision, opinion or order of any court, agency or other governmental

instrumentality that may adversely affect or limit in any fashion the operation or financial condition of Franchisee's operation.

- 7.34 Independent Contractor. Franchisee shall not attempt to pledge MMIC's credit or purport to bind MMIC to any obligation, nor shall it hold itself out as being authorized to do so. Also, Franchisee shall indicate that it is an independent contractor of MMIC in all its letterheads, business forms, and other materials used in the operation of its Restaurant. Nothing in this Agreement or any other document related to the relationship between Franchisee and MMIC including, without limitation, MMIC's Operating Manuals or other agreements, shall be construed to create any type of fiduciary relationship between Franchisee and MMIC. Franchisee and MMIC each specifically disclaim any fiduciary relationship between them. Franchisee also acknowledges that it is impossible for MMIC to treat franchisees in the System identically, and further acknowledges that MMIC can and may, in its sole discretion, treat Franchisee differently from other franchisees in the enforcement of this Agreement and System standards.
- 7.35 Renovations. Any subsequent construction or renovation in or upon the premises of the Restaurant, including the installation or replacement of fixtures or equipment, or the erection of signs must have the prior written approval of MMIC. Approval may be conditioned upon MMIC reviewing detailed written architectural or other plans and the implementation of such reasonable changes as MMIC requires.
- 7.36 Telephone Number Assignment. Franchisee shall execute a telephone number assignment for the telephone number used by Franchisee for its Restaurant at the time of the execution of this Agreement, and at any later time as MMIC shall request. The assignment shall be in a form provided or approved by MMIC and shall provide that the assignment of the telephone number shall be effective only upon the expiration or termination of this Agreement, the assignment of this Agreement without the telephone number being assigned to the transferee, or the termination of this Agreement.
- 7.37 Permits and Licenses. Franchisee shall obtain, at Franchisee's sole expense, all permits, licenses, utility, health, sanitation and sign permits, all other permits and licenses required and apply for and secure all necessary zoning changes or variances. Franchisee shall complete construction and/or remodeling and equipment, fixture, furniture and sign installation and decorating of the Restaurant at Franchisee's sole expense and in compliance with plans and specifications approved by MMIC and all applicable ordinances, building codes and permit requirements. Franchisee shall obtain all equipment necessary for the operation of the Restaurant including ovens, grills, fans, coolers, freezers, counters, tables, chairs, and other items at Franchisee's sole expense. Such furniture, fixtures and equipment must be purchased from a supplier approved or designated by MMIC.
- 7.38 Liquor License. The grant of the rights that are the subject of this Agreement is expressly conditioned upon the ability of Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, and Franchisee agrees to use its best efforts to obtain such licenses. If Franchisee fails, after a good faith effort, to obtain any such required liquor licenses before the date on which the Restaurant is otherwise ready to open for business, then at the option of MMIC and in its sole discretion,

this Agreement may be terminated by MMIC effective upon Franchisee's receipt of written notice from MMIC. After obtaining the necessary state or local liquor licenses, Franchisee shall comply with all applicable laws and regulations relating to the sale of liquor on the premises of the Restaurant. If Franchisee is subsequently prohibited for any reason from selling liquor on the premises of the Restaurant, then at the option of MMIC and in its sole discretion, this Agreement may be terminated by MMIC upon written notice to Franchisee. If Franchisee is cited for a violation of the liquor laws of the state in which the Restaurant is located, Franchisee shall provide prompt notice of such violation to MMIC.

- 7.39 Computer Hardware and Software. Franchisee shall purchase such computer hardware and software as established in MMIC's Operating Manuals, as may be amended from time to time. MMIC makes no guarantee as to the suitability or efficiency of the specifications contained in the Operating Manuals. Due to rapid technological changes and progress, the computer hardware and software specifications required to be used by Franchisee may be changed by MMIC without prior notice. The computer hardware is not proprietary to MMIC or its Affiliates. MMIC may require that Franchisee purchase proprietary software. The computer hardware and software provides Franchisee with the ability to communicate via modem, cable or other high speed, inter-connectivity device with MMIC and transmit sales reports, tax reports, various product usage reports and cashier reports. Franchisee is responsible for the ongoing maintenance and repairs for its computer hardware and software. MMIC may require Franchisee to update Franchisee's hardware and software at MMIC's sole discretion. It is Franchisee's responsibility to protect itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims it may have against MMIC as the direct or indirect result of such disruptions, failures and attacks.
- 7.40 Sales System. Franchisee must purchase an approved electronic cash register, point of sale system, or such other electronic/computerized cash register ("sales system") as may be designated by MMIC that must allow for the implementation of systemwide programs such as, without limitation, gift card programs, as implemented by MMIC from time to time in its Operating Manuals, and independent access by MMIC to the financial information contained in the sales system. All Net Sales and all sales information must be recorded on the sales system that provides Franchisee with sales reports, tax reports, various product usage reports, and cashier reports. MMIC reserves the right, and Franchisee authorizes MMIC, to have independent electronic access to this information. There are no contractual limits on MMIC's right to independently access the data. Franchisee is required to provide the sales information to MMIC as required in the Operating Manuals. Franchisee is responsible for the annual maintenance and repairs for the sales system. The technology configuration is frequently subject to change due to technology and service advancements, as updated in the Operating Manuals. MMIC may require Franchisee to update its sales system and other computer hardware and software every five years during the term of this Agreement, at Franchisee's expense.
- 7.41 Credit Cards; Other Cards. Franchisee will honor all credit, debit, charge or cash cards or other credit devices required or approved by MMIC in writing. Franchisee must obtain the written approval of MMIC prior to honoring any unapproved credit,

debit, charge or cash cards or other credit devices. To the extent Franchisee will store, process, transmit or otherwise access or possess cardholder data in connection with the acquisition or sale of the Foods, Products and Services provided under this Agreement, Franchisee will maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the term of this Agreement. Franchisee further understands it is solely responsible for the security of cardholder data in its possession or control, including its own credit, debit, charge or cash card information and the credit, debit, charge or cash card information of its Owners and/or Affiliates. Franchisee will, if requested to do so by MMIC, provide appropriate documentation to MMIC to demonstrate compliance with applicable PCI DSS requirements by Franchisee.

- 7.42 Data Security. Franchisee will comply with all laws and regulations relating to privacy and data protection, and will comply with any privacy policies and data protection and breach response policies MMIC may establish. Franchisee will notify MMIC immediately of any suspected data breach at or in connection with the Restaurant.
- 7.43 MMIC's Right to Disclose. MMIC will have the right to disclose in its Franchise Disclosure Document as required by law, and in other documents and places as determined by MMIC, any information relating to the Restaurant, including Franchisee's name, any address and/or telephone number(s), revenues, expenses, results of operations and/or other information. Any disclosure by MMIC will be for reasonable business purposes, and its rights under this provision will survive the assignment, termination or expiration of this Agreement.

8. SITE REQUIREMENTS

- 8.1 Site Selection. Franchisee shall select the Franchised Location of its Restaurant within the Designated Area, subject to the prior evaluation by MMIC, with the assistance of a commercial real estate broker according to the procedures set forth in this Article and the Operating Manuals. Franchisee shall submit all Development Materials required by the Operating Manuals to MMIC for MMIC's review. Among other things, Franchisee shall submit to MMIC a written description of Franchisee's proposed Site together with evidence satisfactory to MMIC that confirms its favorable prospects for obtaining the proposed Site. Franchisee shall use the real estate site analysis services of a supplier approved by MMIC to evaluate Franchisee's proposed Site. Franchisee shall be responsible for all costs associated with such Site analysis. MMIC shall give Franchisee written notice of its evaluation of the proposed Site within 30 days after receiving Franchisee's Development Materials. After receiving MMIC's written evaluation of the Site for the Restaurant, Franchisee must execute a Lease (if the premises are to be leased) or a binding agreement to purchase the Site, subject to the review of the terms by MMIC. MMIC's evaluation of any Site is not a representation or guaranty that a Restaurant located at the Site will be successful.
- 8.2 Option to Purchase. If Franchisee purchases the Site for its Restaurant, MMIC may require, in MMIC's sole option and discretion, that Franchisee grant MMIC the option to purchase the Franchised Location at the expiration or the termination of this Agreement.

- 8.3 Lease Provisions. If Franchisee executes a Lease for the Franchised Location, MMIC may require, in its sole discretion, that any Lease to be executed by Franchisee include, without limitation, the following provisions:
- A. Granting MMIC the right, at MMIC's election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement;
 - B. Granting MMIC the right, at MMIC's election, to receive an assignment of the leasehold interest if Franchisee defaults under the Lease;
 - C. Granting to MMIC the right, at MMIC's election, to receive an assignment of the leasehold interest if Franchisee fails to renew the Lease for the Franchised Location for a term consistent with the term of the then-current Franchise Agreement;
 - D. Permitting Franchisee to assign the Lease to MMIC at any time;
 - E. Requiring the lessor of the Franchised Location to provide MMIC all sales and other information lessor may have related to the operation of the Restaurant, as MMIC may request;
 - F. Requiring the lessor concurrently to provide MMIC with a copy of any written notice of deficiency under the Lease sent to Franchisee and granting MMIC, in its sole discretion, the right (but not the obligation) to cure any deficiency under the Lease should Franchisee fail to cure such deficiency within 21 days after the expiration of Franchisee's period to cure any such default;
 - G. Evidencing Franchisee's right to display MMIC's Marks in accordance with the specifications required by the Operating Manuals, subject only to the provisions of applicable law;
 - H. Requiring that the Franchised Location be used only for the operation of a bd's Mongolian Grill® Restaurant; and
 - I. Permitting MMIC, upon accepting assignment of the Lease from Franchisee, to assign the Lease to another franchisee to operate a bd's Mongolian Grill® Restaurant without the need to obtain the prior approval of the landlord; such assignment will relieve MMIC from any and all liability under the Lease.
- 8.4 Site Selection. Franchisee must obtain a Site for the Franchised Location within six months after the Effective Date of this Agreement.
- 8.5 Plans. MMIC agrees to loan Franchisee two sets of its standard plans and specifications for the construction of a bd's Mongolian Grill® Restaurant, which plans and specifications may be an existing Restaurant's plans or MMIC's current prototype (the "Plans"). The Plans may need to be altered or modified to meet Franchisee's space requirements, which modifications will be at Franchisee's sole cost and expense. The Plans are not intended to replace engineered stamp and sealed blue prints for the construction of the Restaurant. If revisions to the Plans are needed to conform to Franchisee's space requirements, such revisions shall be approved as to layout and concept by MMIC. MMIC's approval as to layout and

concept shall not be construed as any representation or warranty by MMIC that the revisions comply with local, state or federal legal requirements. Franchisee shall rely upon its architects, engineers, or construction contractors for advice on the revisions to the Plans. MMIC will deliver the Plans to Franchisee within a reasonable time after the Effective Date of this Agreement.

- 8.6 Construction Manager. If requested by Franchisee or deemed necessary by MMIC, MMIC will provide a representative to act as the Construction Manager for the Restaurant who will provide assistance and services relating to the coordination and completion of the construction or renovation of the Restaurant premises. MMIC will impose a "Construction Management Fee" for providing the Construction Manager and the assistance and services provided during the construction or renovation process to be determined in MMIC's sole discretion. The Construction Management Fee amount will vary based upon the scope of assistance; however, the Construction Management Fee will not exceed \$20,000, plus MMIC's expenses payable in full by Franchisee within 10 days after receipt of an invoice from MMIC indicating the amount owed by Franchisee. If this Agreement is for a bd's Mongolian Grill® Restaurant subsequently opened by Franchisee after its first Restaurant, then MMIC may in its sole discretion, appoint a Construction Manager for the Restaurant and charge the Construction Management Fee, if deemed necessary by MMIC. If a Construction Manager is not provided by MMIC, Franchisee will appoint an employee who meets the qualifications established by MMIC who will be responsible for ensuring that the construction and renovation process is completed in a timely manner and in compliance with MMIC's requirements.
- 8.7 Site Development. Due to the unique design and style of the Restaurant, the initial construction or renovation of the Restaurant shall be pursuant to architectural plans that conform to specifications and design provided or approved by MMIC. Promptly after obtaining possession of the Franchised Location for the Restaurant, Franchisee shall:
- A. Retain the services of an architect and a contractor who will conform the design and construction to the standards and specifications for the construction as provided by MMIC. In its sole discretion, MMIC may require Franchisee to pay a design fee for the initial design of the floor plan and exterior elevation of the Restaurant, or may require Franchisee to utilize the services of MMIC's approved architect;
 - B. Cause to be prepared, and submit for approval by MMIC, a site survey and basic architectural plans and specifications consistent with MMIC's requirements as set forth in the Operating Manuals;
 - C. Obtain all required zoning changes and all required building, utility, health, sanitation, sign permits and licenses, and approval for the acquisition or transfer of a liquor license and any other required permits and licenses;
 - D. Purchase or lease the required FF&E for the Restaurant;
 - E. Complete the construction or renovation and installation of the FF&E and decorating of the Restaurant in compliance with plans and specifications

approved by MMIC and all applicable ordinances, building code and permit requirements.

- F. Obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and
- G. Otherwise complete development of and have the Restaurant ready to open for business in accordance with this Agreement.

9. CONFIDENTIALITY

- 9.1 Confidential Information. Franchisee's entire knowledge of the operation of the Restaurant including, without limitation, the method of preparation of Menu Items and other food, product formulas, recipes, and the standards and operating procedures of the Restaurant, is derived from information disclosed to Franchisee by MMIC that is proprietary, confidential, and a trade secret of MMIC ("Confidential Information"). MMIC's Confidential Information gives MMIC and Franchisee a competitive advantage over those who do not know it and who may compete with MMIC, its Affiliates or its franchisees by operating restaurants that may or may not utilize a similar concept. Accordingly, Franchisee agrees that it and its Owners, officers, directors, Representative, Operating Manager, Unit General Manager, Managers, employees and agents (the "Franchisee Group") will not, either directly or indirectly, use for their own account or disclose to any other person or Entity any such Confidential Information anywhere in the world during the term of this Agreement and at any time following the termination or expiration of this Agreement. Franchisee and the Franchisee Group must maintain the absolute confidentiality of all Confidential Information during and after the term of this Agreement and not use any such Confidential Information in any other business or in any manner not specifically authorized or approved in writing by MMIC. All information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulas, recipes and other data which MMIC designates as confidential shall be deemed confidential for purposes of this Agreement, except information that Franchisee can demonstrate lawfully came to Franchisee's attention before disclosure by MMIC or that, at the time of or after disclosure by MMIC, had lawfully become a part of the public domain through publication or communication by others. Franchisee agrees to maintain the confidentiality of such Confidential Information by disclosing to its Franchisee Group only such information as is required by such person to perform his/her functions in the operation of the Restaurant and to cause such persons to maintain the confidentiality of such Confidential Information by obtaining from such persons, upon request by MMIC, written confidentiality agreements in the form prescribed by MMIC. Notwithstanding any other provision of this Agreement to the contrary, there may be certain instances where applicable law allows for the disclosure of certain Confidential Information, including trade secrets, under limited circumstances as specified in the Operating Manuals or otherwise in writing by MMIC.
- 9.2 Operating Manuals. All information contained in the Operating Manuals is proprietary, and Franchisee must keep such information confidential both during the term of this Agreement and following the expiration or termination of this Agreement. Any authorized duplication or copying of any of the Operating Manuals

must be performed by MMIC at Franchisee's expense. Franchisee must not at any time, without MMIC's prior written consent, copy, duplicate, record or otherwise reproduce the Operating Manuals in whole or in part or otherwise make the same available to any person.

- 9.3 Property of MMIC. All Confidential Information received from MMIC, including all obsolete pages or other materials, shall remain the property of MMIC. Franchisee agrees that upon the expiration or termination of this Agreement, Franchisee's rights to use such material shall terminate, and all of such materials shall be immediately returned to MMIC.

10. BREACH AND TERMINATION

- 10.1 Automatic Termination without Notice. If permitted by applicable law, this Agreement shall terminate without notice to Franchisee upon the occurrence of any of the following Events of Default:

- A. The filing by or against Franchisee of any proceeding under the Bankruptcy Code;
- B. A plan of liquidation, reorganization, composition or arrangement of Franchisee's affairs is sought to be instituted for or against Franchisee, under State or Federal law, whether or not the same is subsequently approved by a court of competent jurisdiction;
- C. The appointment of a receiver for Franchisee by any court of competent jurisdiction;
- D. Franchisee makes a general assignment for the benefit of creditors; or
- E. Any execution, attachment or other creditors' process is issued against Franchisee or any of Franchisee's assets.

- 10.2 Termination Upon Notice. If permitted by applicable law, MMIC may terminate this Agreement by written notice, without opportunity to cure, upon the occurrence of any of the following Events of Default:

- A. Franchisee breaches the same or a similar provision of this Agreement or the Operating Manuals three or more separate times in any 12-month period, so long as (i) Franchisee knew each such act was a breach, or (ii) before the second breach, MMIC notified Franchisee in writing that such act or acts constituted a breach under this Agreement;
- B. The condition or operation of the Restaurant is, in the reasonable opinion of MMIC, a threat or danger to public health or safety;
- C. Franchisee fails to satisfy any judgment against Franchisee within 30 days after the judgment is entered and becomes final;
- D. Franchisee falsifies any report or financial statements required to be furnished MMIC;
- E. Franchisee Abandons the Restaurant;

- F. The Restaurant is rendered inoperable by any casualty and Franchisee fails to restore the Restaurant to full operation within a reasonable period of time, but not more than 210 days after the date of such casualty;
- G. Franchisee receives an order from any regulatory body ordering Franchisee to cease business or sell the Restaurant or return any license that is material to the operation of the Restaurant, or any such license expires;
- H. Franchisee or an Affiliate of Franchisee remains in default beyond the applicable cure period under this Agreement or any other agreement with MMIC or an Affiliate of MMIC;
- I. Franchisee misuses, as determined by MMIC in its sole discretion, any of the Marks;
- J. Franchisee or any of Franchisee's Owners is convicted of or pleads guilty to a felony;
- K. Franchisee or any of Franchisee's Owners is convicted of or pleads guilty to any law relating to the Restaurant;
- L. Franchisee transfers any interest in the Restaurant or Franchisee without the prior written consent of MMIC;
- M. An Event of Default arises under any other agreement Franchisee or an Affiliate of Franchisee has with MMIC or an Affiliate of MMIC where Franchisee or its Affiliate has no opportunity to cure the Event of Default or the Event of Default is not capable of being cured;
- N. Franchisee fails to timely renew the Lease for the Franchised Location for the remaining term of this Agreement; or
- O. An Event of Default arises under the Lease or other agreement permitting Franchisee to occupy the Franchised Location, and Franchisee has no opportunity to cure the Event of Default or the Event of Default is not capable of being cured.

Upon the occurrence of any of the above Events of Default, MMIC shall provide written notice to Franchisee indicating that this Agreement is terminated. Notice of termination under this Article shall be provided to Franchisee in accordance with Article 18.1 of this Agreement. MMIC has the discretion to immediately exercise any option available to MMIC on the day that notice is deemed to be received as provided in Article 18.1.

10.3 Termination upon Expiration of Opportunity to Cure. Upon the occurrence of any of the following Events of Default, MMIC shall give Franchisee a written notice of default in the manner provided for in Article 18.1 of this Agreement specifying a cure period of 30 days, or such other cure period as may be required by this Agreement or applicable law, after the date of delivery of the notice of default:

- A. Franchisee breaches any material provision of this Agreement or does not follow the requirements of the System or the Operating Manuals in any

respect, or defaults in the performance or fulfillment of any term or provision in this Agreement, the System, or the Operating Manuals; provided however, if the Event of Default is the failure of Franchisee to pay Service Fees and Advertising and Promotion Fund Fees and any other Fees owed or accrued to MMIC or an Affiliate, Franchisee shall have a cure period of 5 days (or such other cure period as may be required by applicable law);

- B. Franchisee fails to select and acquire possession of an acceptable site for the Franchised Location within six months after the Effective Date of this Agreement;
- C. Franchisee fails to open its Restaurant to the public within 12 calendar months following the month in which the Effective Date of this Agreement occurs, provided however, MMIC's right to terminate this Agreement upon the expiration of this 12-month period may be stayed by Franchisee if (i) the Restaurant is substantially under construction (meaning for purposes of this provision that Franchisee has spent at least \$50,000 in hard construction costs, excluding permit and other soft costs) by the end of the 12th calendar month, and (ii) commencing with the 13th calendar month after the month in which the Effective Date of this Agreement occurs, Franchisee pays to MMIC \$3,500 on or before the fifth day of each month in which Franchisee has not opened its Restaurant by the first day of each such month; provided however, that MMIC shall have the absolute and unconditional right to terminate this Agreement if Franchisee has not opened its Restaurant by the end of the 16th calendar month following the month in which the Effective Date of this Agreement occurs;
- D. Franchisee fails to obtain MMIC's prior written approval to a sale, transfer, or other action as required by Article 12 of this Agreement;
- E. Franchisee fails to maintain the active services of a MMIC-approved and certified Operating Manager (if applicable) or Unit General Manager for its Restaurant, as required by this Agreement, for any period of 60 days;
- F. Any guarantor of Franchisee's obligations under this Agreement dies, becomes disabled, bankrupt, or the guarantor's ability to guaranty Franchisee's obligations under this Agreement is limited for any reason, or the guarantor discontinues or tries to limit the guarantor's liability under the Personal Guaranty;
- G. An Event of Default arises under any other agreement Franchisee or any Affiliate of Franchisee has with MMIC or any Affiliate of MMIC under which Franchisee or its Affiliate has an opportunity to cure and fails to cure that Event of Default within the time specified in that agreement, in which case the cure period under this Agreement shall be deemed to expire at the same time as the cure period of the agreement under which the Event of Default arose;
- H. An Event of Default arises under the Lease or other agreement permitting Franchisee to occupy the Franchised Location and Franchisee fails to cure such default under any applicable cure period, in which case the cure

period under this Agreement shall be deemed to expire at the same time as the cure period of the agreement under which the default arose; or

- I. If the Event of Default allowing termination by MMIC is not capable of being cured, then if permitted by applicable law, this Agreement shall automatically terminate upon the date that written notice of default is delivered, or deemed delivered, to Franchisee pursuant to Article 18.1 of this Agreement.

If Franchisee fails to cure all Events of Default specified in the notice of default within 30 days or within 10 days for an Event of Default of non-payment of any Fees, or such other cure period as may be required by applicable law, after the date of delivery of the notice of default, MMIC may, by written notice of termination to Franchisee, terminate this Agreement effective upon the date such notice of termination is delivered, or deemed delivered, to Franchisee as provided in Article 18.1 of this Agreement. MMIC has the discretion to immediately exercise any option available to MMIC on the day that notice is deemed to be received as provided in Article 18.1.

10.4 Termination Following Failure to Achieve Acceptable Evaluation on Periodic Inspection. MMIC will periodically inspect the Restaurant to evaluate Franchisee's compliance with the System, this Agreement, and the Operating Manuals. MMIC shall communicate the results of each inspection to Franchisee. If Franchisee fails to obtain an acceptable evaluation in the inspection, MMIC will notify Franchisee in writing that such failures constitute Event of Defaults under this Agreement and that Franchisee must correct the unacceptable conditions constituting Events of Default as disclosed by the inspection within 30 days after receipt of written notice, or MMIC will have the right to terminate this Agreement pursuant to Article 18.1.

- A. MMIC will make a second inspection (which will be at Franchisee's sole cost and expense) following expiration of the 30-day cure period, and if Franchisee fails to obtain an acceptable evaluation on the second inspection, this Agreement shall terminate on the date that written notice of termination is delivered, or deemed delivered, to Franchisee pursuant to Article 18.1 of this Agreement.
- B. Notwithstanding the above, if Franchisee has received from MMIC three or more notices of Events of Default and opportunities to cure under this Article 10.4 for the same or similar Events of Defaults within the previous 12 consecutive months, then MMIC may send Franchisee a notice of termination without any additional opportunity to correct the Events of Default.

11. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

11.1 Franchisee's Obligations. Upon the termination or expiration of this Agreement, Franchisee shall cease to be a licensed Franchisee of MMIC and shall:

- A. Immediately pay to MMIC all Service Fees and Advertising and Promotion Fund Fees and any other Fees owed or accrued to MMIC or an Affiliate, whether owing under the terms of this Agreement or otherwise.

- B. Discontinue representing itself as being a Franchisee of MMIC and stop using all of the Marks, System, Confidential Information or any other materials or promotional materials provided or licensed to Franchisee by MMIC. Franchisee shall take all necessary steps to disassociate itself from MMIC including, without limitation, deidentifying the Franchised Location, both the interior and exterior of the Restaurant, from MMIC by, among other things, repainting, destroying the grill and “Yurt” area, destruction of stationery, changing of telephone listings and the like unless they are transferred to a new franchisee or MMIC. Franchisee, at Franchisee’s sole cost and expense, shall return to MMIC (i) all proprietary equipment such as, without limitation, the grill, buffets, soup cauldrons, “Mongo Man,” all Mongolian pictures, Mongolian victory rings, burgundy sauce pots with various names, steel swords and decorative tridents; and (ii) all signage including, without limitation, all outdoor signage, whether signage is on a pole, wall, or awning, all exterior awnings, all interior signage, such as, without limitation, restroom “Monguys” and “Mongals” signs, Mongolian warrior employment signage, buffet signage, boards for the cause buffet, buffet signage boards from the meat/pasta buffet, buffet signage boards for vegetable buffet, and all door signage, bar signage, and similar items. Franchisee shall not include in any advertisement or other public representation any reference to MMIC or the service mark “bd’s Mongolian Grill®” or any other Mark. Franchisee shall take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any Mark.
 - C. Return to MMIC the Operating Manuals including, without limitation, all development operating and training manuals, recipe books and all training and promotional aids.
 - D. Permit MMIC to make final inspection of Franchisee’s financial records, books, tax returns and other accounting records at any time, after reasonable notice, within the three-year period following the effective date of termination or expiration of this Agreement.
 - E. Refrain from removing any FF&E or other property or leasehold improvements from the Restaurant premises for a period of 30 days following such termination or expiration of this Agreement, and provide MMIC the option to purchase the FF&E or other property or leasehold improvements as provided for below in this Article.
- 11.2 Evidence of Compliance. Franchisee will provide MMIC with evidence satisfactory to MMIC of compliance with each of the above obligations within 30 days after the termination or expiration of this Agreement.
- 11.3 Option to Acquire Real Estate and Restaurant Assets. If MMIC exercises its option to acquire possession of the real estate associated with Restaurant, either through purchase pursuant to the Real Estate Option to Purchase or by assuming the Lease pursuant to the Real Estate Lease Rider, MMIC may purchase all or some of the assets used in connection with the Restaurant’s operation. The purchase price for each asset acquired shall be equal to the lesser of the fair market or book value of the Restaurant’s tangible property. Further, if MMIC exercises its option to acquire the Restaurant, MMIC shall have the immediate right to occupy, and to

require Franchisee to vacate, the Franchised Location. Franchisee grants MMIC an option to acquire all rights and assume all obligations remaining under any equipment leases. This option shall be exercised in the same manner that MMIC is required to exercise its option as to the real estate, with possession to be transferred at the time possession of the real estate is transferred. In light of the poor market for used restaurant equipment, any equipment leases assumed by MMIC, if it exercises its option, will have a fair market value of \$0.00.

- 11.4 Fair Market Value. If the fair market value of any assets MMIC elects to acquire cannot be agreed upon between the parties within 30 days following the termination or expiration of this Agreement, MMIC shall select and pay for the services of a qualified Appraiser to establish the fair market value thereof, and a copy of said appraisal will be provided to Franchisee. If the value is not agreed to by the parties within 10 days after Franchisee's receipt of the appraisal, Franchisee shall select and pay for the services of a qualified Appraiser to appraise the property within 10 days after the expiration of such 10-day period. Franchisee shall provide MMIC with a copy of its appraisal. If the value of all of the property is still not agreed to within 10 days after the receipt of that appraisal from Franchisee, the two Appraisers shall select a third Appraiser within 10 days thereafter whose determination of fair market value as to the property to which a value has not yet been agreed to shall be final and binding. The cost of the third Appraiser shall be paid equally by MMIC and Franchisee.
- 11.5 Damages. If MMIC does not exercise its option to acquire possession of the Franchised Location for the Restaurant pursuant to this Agreement, then MMIC will be entitled to seek recovery of all damages that MMIC has sustained and will sustain in the future as a result of Franchisee's breach of this Agreement, including all Service Fees and Advertising and Promotion Fund Fees and any other Fees payable to MMIC or an Affiliate for the unexpired term of this Agreement.

12. SALES OR TRANSFERS OF FRANCHISE

- 12.1 Transfer by MMIC. This Agreement and all rights hereunder may be assigned or transferred by MMIC and shall be binding upon and inure to the benefit of MMIC's successors and assigns. MMIC, its officers, directors, owners, employees and agents shall not be liable to Franchisee for MMIC's obligations under this Agreement to be performed prospectively from the date of the assignment or transfer.
- 12.2 Transfer by Franchisee. As to Franchisee, this Agreement is personal, having been entered into by MMIC in reliance upon and in consideration of the qualifications and representations of Franchisee. If Franchisee is an Entity, MMIC entered into this Agreement in reliance upon and in consideration of, without limitation, the qualifications and representations of Franchisee as an Entity; the identity, qualifications and representations of the Operating Partner (if applicable) and Unit General Manager; and the identity, qualifications and representations of the Owners. Therefore, neither this Agreement, in whole or part, nor any Ownership Interest in Franchisee, nor substantially all the assets of Franchisee or the Restaurant may be assigned, transferred, or divided in any manner by Franchisee, or anyone else, without the prior written approval of MMIC; nor may this Agreement, in whole or part, be sold such that the sale results in a change in the Operating Partner (if applicable) or Unit General Manager or the addition or

deletion of an Owner of Franchisee. Except as otherwise provided in this Agreement, the transfer of the Restaurant, this Agreement or the Ownership Interests of Franchisee may not be made to other than a bona fide purchaser for value. Furthermore, MMIC's approval of a proposed transfer may be conditioned upon any or all of the following, in MMIC's sole discretion:

- A. MMIC's satisfaction with the character, business experience and credit rating of the transferee (and its officers, directors and Owners, if it is an Entity).
- B. Payment by Franchisee of all outstanding Fees owed by Franchisee to MMIC.
- C. The satisfactory completion of MMIC's Management Training program by the transferee and its Management Team.
- D. Execution by Franchisee of a release of any and all claims against MMIC, MMIC's officers, directors, owners, agents, and employees arising out of or related to this Agreement or to any other aspect of the relationship between Franchisee, on the one hand, and MMIC, its officers, directors, owners, agents and employees, on the other hand. The release shall be on a form prepared or approved by MMIC.
- E. Payment by Franchisee to MMIC of a nonrefundable "Transfer Fee" of \$5,000 plus reimbursement of MMIC's reasonable out-of-pocket costs, including training costs, attorneys' fees, and accounting fees.
- F. Execution by the transferee of MMIC's then-current Franchise Agreement, which shall include Service Fees and Advertising and Promotion Fund Fees at the same rates as are applicable to new franchisees of MMIC at the time of the assignment or transfer.
- G. Execution by the transferee, its Owners, officers, directors, Managers, employees and other persons associated with the transferee as required by MMIC, of any related agreements in the form required to be executed by new franchisees at the time of assignment or transfer.

Except as permitted by Article 12.3, any sale of any Ownership Interest in Franchisee that results in the change of the Operating Partner (if applicable) or Unit General Manager or the addition or deletion of an Owner shall be considered an impermissible transfer, unless completed in accordance with this Article. Franchisee consents to MMIC's releasing to any proposed transferee any information concerning the Restaurant that Franchisee has reported to MMIC. MMIC may expand upon, and provide more details related to, the conditions for transfer and MMIC's consent as described in this Article, and may do so in the Operating Manual or otherwise in writing.

- 12.3 Transfer to Entity. If Franchisee is an individual or a partnership, MMIC hereby expressly consents to the assignment of this Agreement to an Entity formed to operate the Restaurant authorized by this Agreement, if it is owned and controlled solely by the individual or the Owners of the unincorporated Entity from which the assignment is made, provided the following conditions are satisfied:

- A. The assignment does not relieve the original Franchisee of the obligations under this Agreement.
 - B. The documents representing the Ownership Interests in the Entity contain a notation regarding transfer restrictions contained in this Agreement, so long as this Agreement and any extensions hereof remain in effect.
 - C. The organizational documents of the Entity otherwise comply with the requirements of this Agreement.
- 12.4 Death or Incapacity. If Franchisee is an individual, and in the event of the death or mental incapacity of Franchisee, this Agreement shall terminate at the end of the 90-day period that begins on Franchisee's date of death, or the date that Franchisee is declared to be mentally incompetent by a court of competent jurisdiction pursuant to applicable law, as the case may be; provided that Franchisee's legal representative may attempt to arrange for the transfer of this Agreement during the 90-day period, and such transfer, when presented to MMIC for approval, will be subject to the terms of Article 12.2, provided that no Transfer Fee will be payable. If this Agreement is not transferred as permitted within the 90-day period and, as a result, this Agreement automatically terminates, the provisions of Article 11 shall be applicable.
- 12.5 Right of First Refusal. Except for transfers contemplated by Article 12.3, MMIC shall have the right of first refusal with respect to all bona fide written offers to purchase that Franchisee receives for the Restaurant or the Ownership Interests of Franchisee. Any time that Franchisee receives a bona fide offer to purchase, Franchisee shall inform MMIC in writing of all the terms and conditions of the offer and provide MMIC with a copy of any written offer to purchase. Any such offer must be in writing and signed by the offeree to be considered bona fide. MMIC may, within 90 days after receiving the notice of the bona fide offer, notify Franchisee in writing of its election to exercise its right to purchase the Restaurant or the Ownership Interests of Franchisee on the same terms and conditions as are contained in that offer. If the offer provides for any payments in the form of property other than cash, MMIC can substitute cash for the fair market value of such property or services. If MMIC waives or fails to exercise its option, and subject to the conditions contained in Article 12.2, Franchisee can complete the proposed sale or transfer, but only to the bona fide offeree, and only on the same terms and conditions as were disclosed to MMIC. Such sale must be completed within 90 days after the expiration of MMIC's option period or, if earlier, the date on which MMIC waived its option rights in writing.
- 12.6 Advertising Sale of Restaurant. Franchisee shall not include in any advertisement for the sale of the Restaurant business, or any substantial portion of the real estate or other assets of the Restaurant, any reference to MMIC, MMIC's Marks or other names licensed to Franchisee including, without limitation, "bd's Mongolian Grill®" and "bd's®."
- 12.7 Use of Franchise as Collateral. This Agreement, and Franchisee's rights under this Agreement, may not, under any circumstances, be assigned, transferred or pledged as collateral to any other person or Entity (including Franchisee), and no person or Entity shall succeed to any rights of Franchisee under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership,

attachment, execution, assignment for the benefit of creditors or other legal process.

- 12.8 Securities Offerings. Interests in Franchisee shall not be offered to the public by private or public offering without MMIC's prior written consent, which shall not be unreasonably withheld. As a condition of its consent, MMIC may, in its sole discretion, require that, immediately after such offering, Franchisee and the Owners retain a controlling interest in Franchisee. Franchisee shall give MMIC written notice at least 30 days prior to the commencement of any offering covered by this Article 12.8. All offering materials shall be submitted to MMIC for review prior to being filed with any governmental agency or distributed for use. MMIC's review of the offering materials shall be limited solely to the subject of the relationship between Franchisee and MMIC. No offering shall imply that MMIC is participating in an underwriting, issuance, or offering of securities. MMIC may require the offering materials to contain a written statement prescribed by MMIC concerning the relationship of Franchisee and MMIC. Franchisee, its Controlling Principals, and the other participants in the offering must fully indemnify MMIC, its affiliates, their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees, past and present, in connection with the offering. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of \$3,000 and shall reimburse Franchisor for its reasonable costs and expenses (including, without limitation, legal and accounting fees) associated with reviewing the offering materials.

13. NON-COMPETE COVENANTS

13.1 Non-Compete Agreement

- A. Franchisee acknowledges that the Confidential Information disclosed to Franchisee and all other aspects of the System are highly valuable assets of MMIC, and Franchisee on behalf of itself and its Franchisee Group agrees that they shall not, without MMIC's prior written consent (i) during the term of this Agreement, directly or indirectly including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal, agent, owner or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit Franchisee's name or any part of the name to be used or employed by any person or Entity engaged in or concerned with or interested in any Competing Business similar to the Restaurant, unless such other business is operated pursuant to a written license or other agreement with MMIC, and (ii) for a period of two years after the date of assignment, termination or expiration of this Agreement, directly or indirectly including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal, agent, owner or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit Franchisee's name or any part of the name to be used or employed by any person or Entity engaged in or concerned with or interested in any Competing Business similar to the Restaurant within 20 miles of the Restaurant or any other bd's Mongolian Grill® Restaurant, unless such other business is operated pursuant to a written license or other agreement with MMIC. MMIC may require Franchisee to

cause any or all Franchisee Group members to execute a written covenant not to compete in a form prescribed by MMIC.

- B. Franchisee also acknowledges and agrees that if any member of the Franchisee Group should violate the provisions of Article 13.1.A with respect to the operation of a Competing Business following assignment, expiration or termination of this Agreement, then the period of non-competition shall be extended until two years following the date the violating member of the Franchisee Group ceases all activities that are in violation of such provision.

13.2 Reasonable Restrictions. Franchisee and the Franchisee Group agree that the restrictions contained in this Article are reasonable and necessary to protect the business interests of MMIC, which business interests the Franchisee Group acknowledges to be valuable and legitimate.

14. INDEMNIFICATION

14.1 Indemnification Obligations. Franchisee shall, at all times, indemnify and hold harmless to the fullest extent permitted by law MMIC, its current and former Affiliates, successors and assigns, and the past and present officers, directors, owners, agents, representatives, independent contractors, servants and employees of each of them ("Indemnitees"), from all "Losses and Expenses" (as defined below in this Article) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), or settlement (whether or not a formal proceeding or action has been instituted) that arises out of or is based on any of the following:

- A. The infringement, alleged infringement, or any other violation or alleged violation by Franchisee of any patent, Mark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted pursuant to this Agreement);
- B. The violation, breach or asserted violation or breach by Franchisee of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;
- C. Libel, slander or any other form of defamation of MMIC, the System or any developer or franchisee operating under the System, by Franchisee;
- D. The violation or breach by Franchisee of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between Franchisee or any of its Affiliates and MMIC or any of its Affiliates, or the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of any of them; and
- E. Action, inaction, negligence, wrongdoing, errors or omissions of Franchisee, any of Franchisee's Affiliates and the officers, directors, owners, agents, representatives, independent contractors and employees of each of them in connection with the establishment and operation of the Restaurant including, but not limited to, any action, inaction, negligence, wrongdoing, errors or omissions of any of these individuals in the operation

of any motor vehicle. The parties understand and agree that MMIC cannot and does not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, Franchisee or any employee, agent or independent contractor of Franchisee, and that the safe operation of any motor vehicle is Franchisee's responsibility.

- F. Assertion of a claim against Indemnitees of vicarious liability, respondent superior, principal/agent or similar theory based on Franchisee's acts or omissions.
- 14.2 Notice. Franchisee agrees to give MMIC prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee, MMIC may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by MMIC shall, in no manner or form, diminish the obligation of Franchisee to indemnify the Indemnitees and to hold them harmless.
- 14.3 Corrective Actions. In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, MMIC may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in MMIC's sole judgment, there are reasonable grounds to believe that:
- A. Any of the acts or circumstances enumerated in Article 14.1.A through D above have occurred; or
- B. Any act, error, or omission as described in Article 14.1.E and F may result directly or indirectly in damage, injury, or harm to any person or any property.
- 14.4 Losses and Expenses. All Losses and Expenses incurred under this Article shall be chargeable to and paid by Franchisee pursuant to its obligations of indemnity under this Article, regardless of any actions, activity or defense undertaken by MMIC or the subsequent success or failure of such actions, activity, or defense.
- 14.5 Losses and Expenses Defined. As used in this Article, the phrase "Losses and Expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to the MMIC's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.
- 14.6 No Liability. The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of any third party with whom Franchisee, Franchisee's Affiliates or any of the officers, directors, Owners, agents, representatives, independent contractors and employees of Franchisee or its Affiliates may

contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnitees for all Losses and Expenses which may arise out of any acts, errors or omissions of Franchisee, Franchisee's Affiliates, the officers, directors, Owners, agents, representatives, independent contractors and employees of Franchisee and its Affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of MMIC or any other party or parties arising in connection therewith.

- 14.7 Mitigation of Losses. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from Franchisee by the Indemnitees.
- 14.8 Survival of Indemnification Obligation. Franchisee expressly agrees that the terms of this Article shall survive the termination, expiration or transfer of this Agreement, the Restaurant or the Ownership Interests of Franchisee.
- 14.9 Franchisee Losses and Expenses. MMIC shall, at all times, indemnify and hold harmless to the fullest extent permitted by law, Franchisee, successors and assigns, and the officers, directors, Owners and employees of each of them ("Reciprocal Indemnitees") from all "Franchisee Losses and Expenses" incurred in connection with any third party action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or settlement (whether or not a formal proceeding or action has been instituted), that arises out of or is based upon any of the following:
- A. Libel, slander or any other form of defamation of a third party by MMIC, or any person acting by, for or on behalf of MMIC; or
 - B. The intentional or malicious infliction of injury as to any third party by MMIC.

For purposes of this provision, "Franchisee Losses and Expenses" shall include all compensatory damages, costs, legal fees, court costs and expenses incurred in connection with matters indemnified above.

15. RELATIONSHIP OF PARTIES

- 15.1 Status of Franchisee. Franchisee is and shall be an independent contractor and nothing in this Agreement shall be construed so as to create an agency or an employment relationship, a partnership or a joint venture between the parties. Neither party shall act or have the authority to act as agent for the other and neither Franchisee nor MMIC shall guarantee the obligations of the other or in any way become obligated for the debts or expenses of the other unless agreed to in writing. Franchisee is not and shall not hold itself out as being an agent or an employee of, or a partner or joint venturer with MMIC. Franchisee will prominently display in its Restaurant, so that it is clearly visible to the public, a sign or placard stating that the Restaurant is independently owned and operated by Franchisee.
- 15.2 Public Record of Status. In all public records and in Franchisee's relationships and dealings with all other persons or Entities, Franchisee shall indicate that it is an independent business and that it is only a licensee of MMIC. Franchisee shall

prominently indicate on all letterheads, business forms, and the like that it is a licensee of MMIC by placing thereon language that is in substance the same as the following: “a licensee of Mongolian Management and Investment Company, L.L.C.”

- 15.3 No Authority to Subfranchise. Franchisee agrees that it has no authority, express or implied, to subfranchise others to use MMIC’s System or Marks, or to subdivide or grant undivided interests in the rights granted by this Agreement.
- 15.4 Employment Decisions. Franchisee shall be solely responsible for all employment decisions and functions of the Restaurant including, without limitation, those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, scheduling, supervision, and discipline of employees, regardless of whether Franchisee receives advice from MMIC on these subjects. Franchisee acknowledges and agrees that all personnel decisions shall be made by Franchisee, without any influence or advice from MMIC, and such decisions and actions shall not be, nor be deemed to be, a decision or action of MMIC.

16. ATTORNEYS’ FEES AND CONSENT TO INJUNCTION

- 16.1 Attorneys’ Fees. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and the claim of Franchisee in such action is denied or the action is dismissed, MMIC shall be entitled to recover from Franchisee its attorney fees, and all other costs and expenses incurred in defending against the same, and to have such an amount awarded as part of the judgment in the proceeding. If MMIC institutes any legal action to interpret or enforce the terms and conditions of this Agreement and MMIC prevails, MMIC shall be entitled to recover from Franchisee, its attorneys’ fees and other costs and expenses in said action (and interest on such fees, costs and expenses).
- 16.2 Injunctive Relief. Franchisee acknowledges that it will be difficult to measure accurately the damages to MMIC from any breach of Franchisee of the covenants and restrictions set forth in this Agreement, that the injury to MMIC from any such breach would be incalculable and irremediable and that damages would not be an adequate remedy. Franchisee agrees that if it shall breach or attempt to breach any of the terms of this Agreement, MMIC shall be entitled as a matter of right to obtain from any court of competent jurisdiction an injunction, without posting bond or other security, (i) prohibiting Franchisee from any further breaches of this Agreement, (ii) rescinding any action taken by Franchisee contrary to the terms of this Agreement, and (iii) authorizing MMIC to recover from Franchisee any and all salaries, monies, commissions, income, profits or other remuneration or gain that Franchisee may have received or to which it may have become entitled to receive by reason of the conducting of any activity in violation of the terms, conditions or covenants of this Agreement. The issuance of such an injunction will not prevent MMIC from obtaining such other relief as is appropriate under the circumstances, such as the award of other monetary damages.

17. WAIVER OF RIGHTS

Failure by either party to enforce any rights under this Agreement shall not be construed as waiver of such rights. Any waiver, including waiver of default, in any one instance shall not constitute a

continuing waiver or a waiver in any other instance. Any acceptance of money or other performance by MMIC from Franchisee shall not constitute a waiver of any default except as to the payment of the particular payment or performance so received. Notwithstanding the previous provisions, if either party defaults or fails to abide by any of its obligations under this Agreement, the other party must give notice of such failure within one year after such failure occurs, or the aggrieved party shall be deemed to have waived the breach, unless the breach relates to the underreporting or failure to report gross receipts by Franchisee or failure to pay any amounts owing to MMIC by Franchisee. To the extent similar obligations are required to be performed in the future, a waiver of a past performance shall not preclude the party from insisting on full performance of such obligation in the future.

18. NOTICES

- 18.1 Notice to MMIC and Franchisee. Any notices to be given hereunder shall be in writing and shall be either delivered personally, by a recognized overnight delivery service (such as Federal Express, Airborne Express or UPS) which requires a written confirmation of delivery to the address of the addressee, or by first class, certified or registered mail, with postage fully paid. Any notice to be delivered to MMIC shall be sent to MMIC's Headquarters and addressed to:

Becky Moldenhauer - CFO
Mongolian Management and Investment Company, L.L.C.
8200 Springwood Drive, Suite #230
Irving, TX 75063-5811

With a copy to: Ryan R. Palmer, Esq.
Lathrop GPM
500 IDS Center
80 South 8th Street
Minneapolis, MN 55402

Any notice to Franchisee shall be delivered to the address of the Franchised Location. Any notice delivered by mail or a recognized overnight delivery service in the manner specified herein shall be deemed delivered and received, if the notice is not signed for upon delivery, two business days after delivery.

- 18.2 Notice of Address Change. The address specified for service of notice may be changed at any time by either party by giving written notice to the other party of the new address of the party.

19. ENFORCEMENT

- 19.1 Enforcement by Judicial Process. MMIC shall have the right to enforce by judicial process its right to receive Fees due from Franchisee; to enforce the post-termination provision contained in Article 11; to terminate this Agreement by MMIC for the Events of Default enumerated in Article 10; to prevent or remedy a material breach of this Agreement by Franchisee if such breach could materially impair the goodwill associated with MMIC's Marks (including actions with respect to the servicing of wholesale accounts); to enforce the confidentiality provisions of this Agreement; to prevent unapproved transfers or sales as provided in Article 12; to compel specific performance if MMIC shall exercise any options pursuant to Article 11; and to enforce the non-competition provisions of Article 13 of this Agreement.

MMIC shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions enforcing the aforementioned provisions. If a court determines a bond is necessary, Franchisee agrees that no bond shall be required. If MMIC is successful in obtaining an injunction or any other relief against Franchisee, Franchisee shall pay MMIC an amount equal to the aggregate of MMIC's costs of commencing and prosecuting the action including, without limitation, attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

19.2 Mediation.

- A. At MMIC's option, the parties agree to submit to mediation any claim, controversy, or dispute between MMIC or its affiliates (and MMIC's and its affiliates' respective owners, officers, directors, managers, agents, representatives, and/or employees) and Franchisee or its affiliates or the Owners (and Franchisee's principals, agents, representatives, and/or employees) arising out of or related to: (a) this Agreement or any other agreement between MMIC and Franchisee; (b) MMIC's relationship with Franchisee; or (c) the validity of this Agreement or any other agreement between MMIC and Franchisee, before bringing such claim, controversy, or dispute in a court or before any other tribunal.
- B. The mediation will be conducted by a mediator agreed upon by MMIC and Franchisee. If agreement cannot be reached within 15 days after MMIC has notified Franchisee of its the other of its desire to seek mediation, then mediation will occur with the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation will be held at the offices of the AAA in the city where MMIC's principal place of business is located at the time of the mediation. The costs and expenses of mediation paid to the AAA or to the mediator will be paid equally by the parties. All other mediation-related expenses, including but not limited to, attorneys' fees and travel expenses, will be paid by the party that incurred such expenses.
- C. If the parties are unable to resolve the claim, controversy, or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may proceed with arbitration pursuant to Article 19.3. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.
- D. Moreover, regardless of this mediation agreement, MMIC and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

19.3 Arbitration. Except insofar as MMIC elects to enforce this Agreement by judicial process and injunction as provided above, all disputes and claims between MMIC and Franchisee not resolved during the mediation process described in Article 19.2 above, including, but not limited to disputes relating to any provision of this Agreement, to any specification, standard, operating procedure or other obligation of MMIC or its agents or the breach thereof (including, without limitation, any claim

that this Agreement, any provision thereof, any specification, standard, operating procedure or any other obligation of Franchisee or MMIC is illegal, unenforceable or voidable under any law, ordinance or ruling) shall be settled by binding arbitration administered by the American Arbitration Association pursuant to its Commercial Arbitration Rules and the Optional Appellate Arbitration Rules. Arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. §1 et seq.). The arbitration shall be held in the city in which MMIC's Headquarters are located at the time the arbitration is initiated. Any arbitrator appointed must have at least 10 years experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement. MMIC and Franchisee acknowledge that judgment upon an arbitration award may be entered in any court of competent jurisdiction.

- 19.4 Individual Actions Only. Any arbitration proceeding shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis.
- 19.5 WAIVER OF JURY TRIAL. TO THE EXTENT EITHER PARTY IS PERMITTED TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND ELECTS TO DO SO, EACH OF THE PARTIES WAIVES ITS RIGHT TO A TRIAL BY JURY. THIS WAIVER SHALL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATED WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN MMIC AND FRANCHISEE (INCLUDING ANY OWNERS OR GUARANTORS, IF APPLICABLE, AND INCLUDING ACTIONS INVOLVING AFFILIATES, OFFICERS, EMPLOYEES OR AGENTS OF MMIC OR FRANCHISEE) FOR BREACH OF THIS AGREEMENT.
- 19.6 Waiver of Punitive Damages. MMIC and Franchisee (and the respective Owners and Franchisee's personal guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and against any Affiliates, Owners, employees, or agents of the other, and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of actual damages sustained by it and any equitable relief to which it might be entitled.
- 19.7 Exclusive Jurisdiction and Venue. MMIC and Franchisee (and their respective Owners, officers, Affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of the state of Texas, even if additional persons are named as parties to such litigation (unless the courts of the applicable state would have no jurisdiction over such additional persons). No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or Affiliates shall be commenced by any party except in the state or federal courts of Dallas County, Texas, nor shall any such action be transferred to any other venue. FRANCHISEE UNDERSTANDS THAT THIS CLAUSE COMPELS IT TO LITIGATE IN THE STATE OF TEXAS, AND FRANCHISEE KNOWINGLY WAIVES ITS RIGHT TO OTHERWISE OBJECT TO THE EXCLUSIVE VENUE. Notwithstanding the foregoing, if MMIC is permitted to

seek injunctive relief under this Agreement, MMIC may, at its option, bring such action in the county in which the Franchised Location is located.

- 19.8 Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between MMIC and Franchisee. MMIC and Franchisee each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between MMIC and Franchisee. The parties waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.
- 19.9 Limitation of Claims. All claims, except for the Fees due to MMIC or Franchisee's performance under this Agreement, arising under this Agreement or from the relationship between the parties are barred unless an action is filed and timely served on the opposing party within one year from the date the party knew or should have known of the facts creating the claim, except to the extent any applicable law or statute provides for a shorter period of time to bring a claim or as otherwise required by law.

20. ACKNOWLEDGMENTS

- 20.1 Copyrights. Franchisee understands and agrees that it is unlawful and a criminal offense to duplicate or reproduce any copyrighted materials.

_____ Initials

- 20.2 No Warranties. Franchisee acknowledges that it has conducted an independent investigation of the business licensed by this Agreement, that it has had an adequate opportunity to be advised by advisors of its own choosing regarding all pertinent aspects of this Agreement and the franchise relationship created by it, that the business venture contemplated by this Agreement involves business risks, and that the success of the Restaurant business will be largely dependent upon the abilities and efforts of Franchisee as an independent businessperson or upon the abilities of Franchisee's officers, directors and Owners, if Franchisee is an Entity. Franchisee understands that MMIC makes no express or implied warranties or representations, guarantees or assurances that Franchisee will achieve any degree of success in operation of the Restaurant and, while MMIC will provide Franchisee with training, advice, and consultation as provided in this Agreement, success in the operation of the Restaurant depends ultimately on Franchisee and on other factors including, but not limited to, location, marketing, regional tastes and preferences, economic conditions, financial considerations and competition.

_____ Initials

- 20.3 PERFORMANCE OF FRANCHISEE. FRANCHISEE RECOGNIZES THAT MMIC HAS ENTERED INTO THIS AGREEMENT IN RELIANCE UPON AND IN RECOGNITION OF THE FACT THAT FRANCHISEE AND ITS DESIGNATED REPRESENTATIVE AND UNIT GENERAL MANAGER SHALL HAVE FULL

RESPONSIBILITY FOR THE MANAGEMENT AND OPERATION OF THE RESTAURANT LICENSED BY THIS AGREEMENT, AND THAT THE AMOUNT OF PROFIT OR LOSS RESULTING FROM THE OPERATION OF THE RESTAURANT BUSINESS WILL BE DIRECTLY ATTRIBUTABLE TO THE PERFORMANCE OF FRANCHISEE.

_____ Initials

- 20.4 Accurate Information. All information provided MMIC in connection with the approval of Franchisee as a Franchisee and the Franchised Location is truthful and accurate.

_____ Initials

- 20.5 Franchise Documents. Franchisee acknowledges that it received MMIC's Franchise Disclosure Document and a standard form of MMIC's Franchise Agreement at least 14 calendar days before the date of its execution by Franchisee and the payment of any Fees to MMIC. Franchisee further acknowledges that it received this Agreement in the form actually executed at least seven calendar days before the date of its execution by Franchisee.

_____ Initials

- 20.6 Arbitration. Franchisee acknowledges that this Agreement requires arbitration of disputes in the city in which MMIC is headquartered at the time of initiation of the arbitration; that an exception to this requirement is MMIC's right to bring a court action for injunctive relief for specified matters; that the exclusive venue and jurisdiction for any court action is the city in which MMIC is headquartered at the time litigation is initiated; that MMIC and Franchisee waive the right to a jury, to punitive damages, to collateral estoppel, and to bring multi-plaintiff, consolidated, collective or class-wide actions; and that a one-year statute of limitations applies to claims between the parties subject to specified exceptions.

_____ Initials

21. CONSTRUCTION

- 21.1 Governing Law; Severability. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) and the Federal Arbitration Act (9 U.S.C. §1 et seq.), this Agreement and the relationship between MMIC and Franchisee will be governed by the laws of the state in which the Franchised Location is located. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by Franchisee and MMIC.
- 21.2 Applicable State Laws. If applicable, the following states have statutes which may supersede the provisions of this Agreement in Franchisee's relationship with MMIC in the areas of termination and renewal of the Franchise: Arkansas [Stat. Section 70-807], California [Bus. & Prof. Code Sections 20000-20043], Connecticut [Gen. Stat. Section 42-133e, et seq.], Delaware [Code Section 2552], Hawaii [Rev. Stat. Section 482E-1], Illinois [815 ILCS 705/19-20], Indiana [Stat. Section 23-2-2.7],

Michigan [Stat. Section 19.854(27)], Minnesota [Stat. Section 80C.14], Mississippi [Code Section 75-24-51], Missouri [Stat. Section 407.400], Nebraska [Rev. Stat. Section 87-401], New Jersey [Stat. Section 56:10-1], Virginia [Code 13.1-557-574-13.1-564], Washington [Code Section 19.100.180], and Wisconsin [Stat. Section 135.03]. These and other states may have court decisions that may supersede the provisions of this Agreement in Franchisee's relationship with MMIC in the areas of termination and renewal of the Franchise.

21.3 State Law Modifications. If the Franchised Location is located in any one of the states indicated below in this Article, or if the laws of any such state are otherwise applicable, then the applicable provisions of this Agreement will be amended and revised as follows:

- A. California. If this Agreement is governed by the laws of the State of California, then: (i) the covenant not to compete upon termination or expiration of this Agreement contained in this Agreement may be unenforceable, except in certain circumstances provided by law; and (ii) provisions of this Agreement giving MMIC the right to terminate in the event of Franchisee's bankruptcy may not be enforceable under federal bankruptcy laws (11 U.S.C. §101 et seq.).
- B. Illinois. If this Agreement is governed by the laws of the State of Illinois, then: (i) the Illinois Franchise Disclosure Act of 1987 [815 ILCS 705/1-44] (the "Illinois Act") and Illinois law will be applicable to this Agreement; (ii) Section 19 of the Illinois Act will be applicable to the termination of this Agreement by MMIC; (iii) any provision of this Agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that this Agreement may provide for arbitration in a forum outside of Illinois; (iv) Section 27 of the Illinois Act will be applicable to any action maintained by Franchisee to enforce any liability created by the Illinois Act; (v) any representations made by MMIC in the Franchise Disclosure Document provided to Franchisee will remain valid and enforceable by Franchisee after the execution of this Agreement; (vi) any condition, stipulation or provision of this Agreement requiring Franchisee to waive compliance with any provision of the Illinois Act is void; and (vii) the acknowledgments made by Franchisee in this Agreement will not be construed to act as a release, estoppel or waiver of Franchisee's rights under the Illinois Act.
- C. Maryland. In accordance with the laws of the State of Maryland: (i) the provisions of this Agreement requiring jurisdiction and venue of lawsuits in the state of Texas will be deleted from this Agreement, and Franchisee will have the right to commence litigation, lawsuits and other court proceedings alleging claims arising under the Maryland Franchise Registration and Disclosure Law ("Maryland Law") or to enforce arbitration decisions in the State of Maryland; (ii) the acknowledgments made by Franchisee in this Agreement will not be construed to act as a release, estoppel or waiver of Franchisee's rights under the Maryland Law and the release agreement required to be signed upon renewal, sale, or assignment/transfer shall not apply to any liability under the Maryland Law; and (iii) any limitation on the period of time during which claims must be brought will not act to reduce the three-year statute of limitations afforded to Franchisee for bringing a claim arising under the Maryland Law and any claims arising under the

Maryland Law must be brought within three years after the grant of the Franchise hereunder.

- D. Minnesota. If this Agreement is governed by the laws of the State of Minnesota, then: (i) except in certain circumstances specified by Minnesota law, MMIC must give Franchisee at least 180 days prior written notice of nonrenewal of the Franchise; (ii) except in certain circumstances provided by Minnesota law, if MMIC gives Franchisee written notice that Franchisee has breached this Agreement, such written notice will be given to Franchisee at least 90 days prior to the date this Agreement terminated by MMIC, and Franchisee will have 60 days after such written notice within which to correct the breach specified in the written notice; (iii) notwithstanding any provisions of this Agreement to the contrary, in any injunctive proceeding commenced by MMIC against Franchisee or the Owners, a court of competent jurisdiction will determine whether MMIC will be granted injunctive relief and whether MMIC will be required to post a bond or other security, and the amount of such bond or other security; and (iv) notwithstanding any provisions of this Agreement to the contrary, Franchisee will have up to three years after the cause of action accrues to bring an action against MMIC pursuant to Minn. Stat. §80C.17.
- E. New York. If this Agreement is governed by the laws of the State of New York, then: (i) all rights enjoyed by Franchisee and any cause of action arising in its favor from the laws of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this provision that the nonwaiver requirements of General Business Law §687.4 and §687.5 be satisfied; and (ii) modifications to the Operating Manuals by MMIC will not unreasonably increase Franchisee's obligations or place an excessive economic burden on Franchisee's operations.
- F. North Dakota. If this Agreement is governed by the laws of the State of North Dakota, then: (i) the covenant not to compete upon termination or expiration of this Agreement may be unenforceable, except in certain circumstances provided by law; (ii) arbitration hearings will be conducted in Fargo, North Dakota or at a mutually agreed upon location; (iii) the consent by Franchisee to jurisdiction and venue in the state of Texas contained in this Agreement will be inapplicable to Franchisee; and (iv) any provisions of this Agreement which limit the statute of limitations period for claims under the North Dakota Franchise Investment Law ("North Dakota Law") or the parties' rights or remedies under the North Dakota Law, such as the right to recover exemplary or punitive damages or to a jury trial, will not be enforceable.
- G. Rhode Island. If this Agreement is governed by the laws of the State of Rhode Island, then any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.
- H. South Dakota. If this Agreement is governed by the laws of the State of South Dakota, then: (i) the covenant not to compete upon termination or expiration of this Agreement may be unenforceable, except in certain

circumstances provided by law; (ii) any provision of this Agreement which designates jurisdiction or venue outside of the State of South Dakota or requires Franchisee to agree to jurisdiction or venue in a forum outside of the State of South Dakota is void with respect to any cause of action which is otherwise enforceable in the State of South Dakota; (iii) any acknowledgment provision, disclaimer, integration clause or provision having a similar effect in this Agreement will not negate or act to remove from judicial review any statement, misrepresentation or action that violates Chapter 37-5B or a rule or order under Chapter 37-5B; (iv) arbitration hearings will be conducted in Sioux Falls, South Dakota, or at a mutually agreed upon location; and (v) provisions of this Agreement which require that actions be commenced within a specified time limit, and that limit the parties' rights to recover punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

I. Washington.

1. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
3. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
4. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
5. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an

amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

6. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

- J. Wisconsin. If this Agreement is governed by the laws of the State of Wisconsin, then the provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of this Agreement.

21.4 Entire Agreement. This Agreement, the exhibits, any addendums attached to this Agreement, and the other related agreements between Franchisee and MMIC contain all the terms and conditions agreed upon by the parties regarding the subject matter of this Agreement and all prior discussions and agreements are of no further effect. No promises or representations have been made by MMIC other than set forth in this Agreement, except that the parties hereby acknowledge that nothing contained in this provision will disclaim representations made in MMIC's Franchise Disclosure Document delivered to Franchisee prior to Franchisee's execution of this Agreement. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by MMIC and Franchisee. THERE ARE NO WARRANTIES, REPRESENTATIONS, COVENANTS OR AGREEMENTS, EXPRESS OR IMPLIED, BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER HEREOF, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING, EXCEPT THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT.

21.5 Franchisee. The term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and shall be deemed to include not only the individual or Entity defined as "Franchisee" in the introductory paragraph of this Agreement but shall also include all Owners of the Entity that execute this Agreement, and these persons acknowledge and accept the duties and obligations imposed by the terms of this Agreement. If Franchisee consists of two or more persons or Entities, the covenants on the part of Franchisee shall be deemed to be the joint and several covenants of such persons.

22. DEFINITIONS

As used in this Agreement, the following words and phrases shall have the meanings attributed to them in this Article:

- 22.1 Abandon - the conduct of Franchisee indicating the willingness, desire or intent of Franchisee to discontinue operating its bd's Mongolian Grill® Restaurant in accordance with the quality standards, uniformity requirements and the System as described in this Agreement and the Operating Manuals including, but not limited to, the failure of Franchisee to operate the bd's Mongolian Grill® Restaurant during the business hours specified in the Operating Manuals for two or more consecutive days without the prior written approval of MMIC or the failure to remain open for business during the specified business hours.
- 22.2 Affiliate - any Entity or individual that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with MMIC or Franchisee, as applicable. The Affiliates of MMIC include Mongolian Operating Company, LLC, Mongolian Barbeque, Ltd. U.K. and any subsidiary or Affiliate of these Entities.
- 22.3 Appraiser(s) - one or more independent third parties selected by the parties to this Agreement in accordance with the terms and conditions hereof.
- 22.4 Competing Business - a business offering the same or similar products or services as those offered by bd's Mongolian restaurants, including Asian, PanAsian, Mongolian, stir-fry, create your own stir-fry, build your own bowl, Mongolian barbecue, Mongolian grill, and barbecue theme restaurant, regardless of the style of service.
- 22.5 Confidential Information - all of the business, technology, marketing, operational, and proprietary information developed, created, owned or licensed by MMIC including, but not limited to, the following: (A) all Plans, drawings, renderings, and specifications relating to the construction of any bd's Mongolian Grill® Restaurant, FF&E specifications and pricing, the names of all approved suppliers and designated suppliers, pricing information for any Foods, Products and Services, (B) all business information, practices, procedures, processes, "know how" and business and operational systems of MMIC, (C) all marketing strategies, programs, and concepts, training programs and materials, Operating Manuals and materials, and operational and business development concepts of MMIC, (D) all sales and marketing processes taught to Franchisee's personnel during any training programs, (E) all training programs and materials, (F) all trade secrets, intellectual property, proprietary databases, computer processes, computer systems, computer software programs and all source codes for all computer software programs (excluding commercially available off-the-shelf third-party software programs), (G) all copyrighted and other materials that have not been publicly disclosed by MMIC which are marked as "confidential," (H) all patents of MMIC, including pending patents, (I) all password-protected websites designed, created and developed by MMIC, including all passwords, text, content, color schemes, images, graphics, information, look and sound, layout, methodology, metrics, graphical interfaces and functionality, and (J) all other written materials disclosed to Franchisee which have been designated as "confidential" by MMIC.

- 22.6 Construction Manager - the individual who will devote his or her best efforts to the coordination and completion of construction or renovation of the Restaurant building or premises.
- 22.7 Development Materials - a description of the Site, a feasibility study (including, without limitation, demographic data, photographs, maps, artists' renderings, site plans, a copy of the Lease, if applicable, and documentation indicating Franchisee's prospects to acquire the Site) and such other information related to the development of the Site as MMIC's reasonably requests.
- 22.8 Events of Default - defined in Article 10.
- 22.9 Entity - a corporation, limited liability company, partnership, limited partnership, limited liability partnership or any other type of legal entity formed in compliance with applicable law.
- 22.10 Fees - the Initial Franchise Fee, the Service Fees, the Advertising and Production Fund Fees, and all other amounts then due and payable by Franchisee to MMIC or an Affiliate of MMIC pursuant to this Agreement or any other agreement, or for any products or services purchased by Franchisee from MMIC or an Affiliate of MMIC.
- 22.11 FF&E - the furniture, fixtures, signs, supplies, cash register, sales system, computer hardware, software and equipment specified in the Operating Manuals or approved by MMIC in writing for use in the operation of a bd's Mongolian Grill® Restaurant.
- 22.12 Foods, Products and Services - the authorized inventory, stationery, supplies, uniforms, proprietary apparel, proprietary promotional items, small wares, paper products, Menu Items, foods, grocery items (including without limitations, vegetables, fruits, meats, oils, spices, sauces, salad dressings, soups, desserts, coffee) alcoholic and nonalcoholic beverages, FF&E, cash registers, computer hardware and software, and services specified in the Operating Manuals or otherwise by MMIC in writing that are (a) used in the operation of a bd's Mongolian Grill® Restaurant, or (b) offered for sale to customers of a bd's Mongolian Grill® Restaurant.
- 22.13 Franchise - the right granted by MMIC to Franchisee under this Agreement authorizing Franchisee to operate a bd's Mongolian Grill® Restaurant at the Franchised Location in conformity with the System using the Marks.
- 22.14 Franchised Location - the address, city and state set forth in Section B of Exhibit 1 to this Agreement where the bd's Mongolian Grill® Restaurant operated by Franchisee under this Agreement is physically located.
- 22.15 Lease - the written lease agreement and related documents signed by Franchisee for the Franchised Location.
- 22.16 Manager(s) - employees of Franchisee, other than the Unit General Manager, involved in the management and supervision of the operations of the Restaurant pursuant to the terms of this Agreement and the Operating Manuals.

- 22.17 Marks - certain trademarks, trade names, trade dress, service marks, emblems and indicia of origin designated by MMIC from time to time for use in connection with the operation of bd's Mongolian Grill® Restaurants pursuant to the System including, without limitation, "bd's Mongolian Grill®" and "bd's®."
- 22.18 Menu Items - the food and beverage items and products authorized by MMIC to be offered and sold to customers at the Restaurant, as amended by MMIC from time to time.
- 22.19 MMIC's Headquarters - MMIC's then-current principal place of business, which as of the Effective Date of this Agreement is located at the address set forth in Article 18.1.
- 22.20 New Restaurant Team - MMIC's employees and, if applicable, certain of Franchisee's employees to whom MMIC has consented who will assist Franchisee at the Franchised Location with training Franchisee's Crew and the opening of the Restaurant.
- 22.21 Operating Manuals - MMIC's manuals and other written materials, as amended from time to time, describing the mandatory and suggested procedures and parameters for the development and operation of bd's Mongolian Grill® Restaurants delivered to Franchisee by any reasonable method, including via the Internet. The information contained in the Operating Manuals is Confidential Information.
- 22.22 Operating Manager - the individual designated as required by Article 7.23 who shall devote his or her full time and best efforts to the management and supervision of (i) Franchisee's duties and obligations hereunder; and (ii) the operation of Franchisee's Restaurants.
- 22.23 Other Concepts - retail, wholesale, restaurant, bar, tavern, take-out or any other type of business involving the production, distribution or sale of food products, beverages, services, merchandise or other items that do not use the Marks but may utilize some part of or similar components of the System pursuant to which a bd's Mongolian Grill® Restaurant is operated.
- 22.24 Owner - any person or Entity that owns (A) any shares of capital stock in Franchisee if Franchisee is a corporation, (B) any membership interests in Franchisee if Franchisee is a limited liability company, (C) any partnership interests in Franchisee if Franchisee is a partnership, (D) any limited or general partnership interests if Franchisee is a limited partnership, and (E) any other kind or type of Ownership Interest in Franchisee. References to "Franchisee," "assignee" and "transferee" which are applicable to (i) an individual or individuals will mean the Owner or Owners of an Ownership Interest in Franchisee and (ii) an Entity will mean the Entity that has an Ownership Interest in Franchisee.
- 22.25 Ownership Interests - includes (A) capital stock if Franchisee is a corporation, (B) membership interest if Franchisee is a limited liability company, (C) partnership interest if Franchisee is a partnership, (D) limited or general partnership interests if Franchisee is a limited partnership, and (E) all other types and means of ownership or other legal interest in Franchisee.

- 22.26 Representative - the individual designated in Article 7.19 who (A) owns Ownership Interests in Franchisee, and (B) is authorized to act on behalf of, and bind, Franchisee with respect to this Agreement.
- 22.27 Restaurant - the bd's Mongolian Grill® Restaurant opened and operated by Franchisee pursuant to this Agreement.
- 22.28 Site - the proposed location of the Franchised Location for the Restaurant.
- 22.29 System - a unique, proprietary system developed and owned by MMIC (which may be modified or further developed from time to time in MMIC's sole discretion) for the establishment and operation of full-service bd's Mongolian Grill® restaurants with on-premises liquor license under the Marks which includes, without limitation, a distinctive image consisting of exterior and interior design, decor, color schemes and furnishings; special recipes, Menu Items and full service bar; uniform standards, products, services and specifications; procedures with respect to operations, inventory and management control (including accounting procedures and policies); training and assistance; and advertising and promotional programs.
- 22.30 Unit General Manager - the individual designated by Franchisee who reports directly to Franchisee and who is solely dedicated to the on-site management and supervision of the operations of the Restaurant. The Unit General Manager may be the same person as Franchisee, an Owner of Franchisee if Franchisee is an Entity or, if MMIC consents, an employee of Franchisee regardless of Franchisee's structure, but may not be the designated Operating Manager.

23. FRANCHISEE'S LEGAL COUNSEL

Franchisee acknowledges that this Agreement constitutes a legal document that grants certain rights to and imposes certain obligations upon Franchisee. Franchisee has been advised by MMIC to retain an attorney or advisor prior to the execution of this Agreement to review the MMIC's Franchise Disclosure Document, to review this Agreement in detail, to review all legal documents, including the Lease, all purchase agreements and architectural and construction contracts, to review the economics, operations and other business aspects of the Restaurant to determine compliance with applicable laws, to advise Franchisee on economic risks, liabilities, obligations and rights under this Agreement, and to advise Franchisee on tax issues, financing matters, applicable state and federal laws, health and safety laws, liquor laws, environmental laws, employee issues, insurance, structure of the Restaurant business, and other legal and business matters. The name and telephone number of Franchisee's attorney or other advisor is: (Print Name of Attorney and name of Firm) _____

 Address _____
 City/State _____ Telephone (_____) _____
 Fax (_____) _____ Email Address: _____.

[signature pages follow]

IN WITNESS WHEREOF, MMIC, Franchisee and the Owners have respectively signed this Agreement effective as of the date set forth above.

In the Presence of:

MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.

Signature

Print Name

By _____

Its _____

In the Presence of:

“FRANCHISEE”

Signature

Print Name

Legal Name
By _____
Signature

Print Name
Its _____
Title

In the Presence of:

And

Signature

Print Name

By _____
Signature

Print Name
Its _____
Title

Each of the undersigned Owners of Franchisee hereby confirms that the Ownership Interests set forth below for each Owner are true and correct and, as a condition to MMIC agreeing to enter into this Agreement with Franchisee, each Owner with an Ownership Interest in Franchisee

agrees to execute and be bound by the terms and conditions of this Agreement and the Personal Guaranty attached to this Agreement.

<u>In the Presence of:</u>	<u>Names of Owners:</u>	<u>Percentage of Ownership:</u>
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
	Total	_____ <u>100%</u>

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "Personal Guaranty") is made and entered into this _____ day of _____, 20____, by and between Mongolian Management and Investment Company, L.L.C., a Michigan limited liability company ("MMIC"), and each one of the undersigned personal guarantors (the "Personal Guarantors").

WHEREAS, MMIC and _____, (a/an) _____ ("Franchisee") have entered into a Franchise Agreement, dated the same date as set forth above, for the operation of a franchised bd's Mongolian Grill® Restaurant at the Franchised Location set forth in the Franchise Agreement (the "Franchise Agreement"), and

WHEREAS, it is the desire of each one of the undersigned Personal Guarantors to personally guaranty the obligations of Franchisee under the terms of the Franchise Agreement and to be individually, jointly and severally bound by the terms and conditions of the Franchise Agreement;

NOW, THEREFORE, in consideration of the execution of the Franchise Agreement by MMIC, and for other good and valuable consideration, each one of the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Franchise Agreement, including the covenants not to compete, to be paid, kept and performed by Franchisee.

Obligations under Agreement. Each one of the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including the covenants not to compete, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Franchise Agreement. Each one of the Personal Guarantors acknowledges having received a copy of the Franchise Agreement which is incorporated herein by reference.

Default of Franchisee. If Franchisee defaults on any monetary obligation of the Franchise Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to MMIC the Initial Franchise Fee, Service Fees, Advertising and Production Fund Fees and all other Fees due and payable to MMIC under the terms and conditions of the Franchise Agreement or for any purchases of goods or services made by Franchisee from MMIC or any Affiliate of MMIC.

Noncompliance by Franchisee. If Franchisee fails to comply with any other terms and conditions of the Franchise Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Franchise Agreement for and on behalf of Franchisee.

Obligations of Franchisee. If Franchisee is at any time in default on any obligation to pay monies to MMIC or any Affiliate of MMIC, whether for the Initial Franchise Fee, Service Fees, Advertising and Production Fund Fees, goods and/or services purchased by Franchisee from MMIC or any Affiliate of MMIC, or for any other indebtedness of Franchisee to MMIC or any Affiliate of MMIC, then each of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable by Franchisee to MMIC or any Affiliate of MMIC upon default by Franchisee.

Binding Agreement. Each one of the Personal Guarantors warrant and represent that he/she (a) has the capacity to execute this Personal Guaranty, (b) has had the opportunity to consult with and retain legal counsel to represent his/her interests, and (c) will be bound by all of the terms

and conditions of this Personal Guaranty. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of MMIC.

Jurisdiction and Venue. Except as precluded by applicable law, all arbitration, litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with the terms of the Franchise Agreement. Each one of the Personal Guarantors agrees to the dispute resolution provisions, including jurisdiction and venue, contained in the Franchise Agreement, and each Personal Guarantor waives any claim that jurisdiction and venue are either invalid or inappropriate.

PERSONAL GUARANTORS

_____ Signature	_____ Signature
_____ Print Name	_____ Print Name
_____ Address	_____ Address
_____ City, State and Zip Code	_____ City, State and Zip Code
_____ Telephone	_____ Telephone
_____ Signature	_____ Signature
_____ Print Name	_____ Print Name
_____ Address	_____ Address
_____ City, State and Zip Code	_____ City, State and Zip Code
_____ Telephone	_____ Telephone

EXHIBIT 1

TO THE FRANCHISE AGREEMENT BETWEEN
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AND

DATED _____, 20____

FRANCHISEE'S DESIGNATED AREA AND FRANCHISED LOCATION

A. Description of Franchisee's Designated Area. Franchisee's Designated Area shall be defined as that area within the following borders:

B. Address of Franchisee's Restaurant. The Franchised Location of the Restaurant is:

This Exhibit is current and complete as of _____, 20_____.

FRANCHISEE:

By: _____
Printed Name: _____
Its: _____

MMIC:

MONGOLIAN MANAGEMENT AND
INVESTMENT COMPANY, L.L.C.

By: _____
Printed Name: _____
Its: _____

EXHIBIT 2

TO THE FRANCHISE AGREEMENT BETWEEN
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AND

DATED _____, 20____

Franchisee and its Owners

This form must be completed by Franchisee if Franchisee has multiple Owners or if Franchisee is owned by an Entity. MMIC is relying on its truth and accuracy in awarding the Franchise to Franchisee.

1. Form of Owner. Franchisee is a (check only one):

- (a) General Partnership []
 - (b) Corporation []
 - (c) Limited Partnership []
 - (d) Limited Liability Company []
 - (e) Other []
- Specify: _____

2. Business Entity. Franchisee was formed on _____, 20____ under the laws of the State of _____. Franchisee has not conducted business under any name other than the Entity name. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions with Franchisee are listed below:

<u>Name of Person</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3. Owners. The following list includes the full name and mailing address of each person who is an Owner of the Ownership Interests in Franchisee, and fully describes the nature of each Owner's interest. Attach additional sheets if necessary.

<u>Owner's Name and Address</u>	<u>Description of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

This Exhibit is current and complete as of _____, 20_____.

FRANCHISEE:

By: _____
Printed Name: _____
Its: _____

EXHIBIT 3

STATE-SPECIFIC ADDENDA TO FRANCHISE AGREEMENT WITH
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Franchisee") to amend and revise certain provisions of the Franchise Agreement between MMIC and Franchisee, dated the same date as this Addendum, as follows:

1. Article 7.38 [Liquor License] of the Franchise Agreement is hereby deleted and replaced with the following provision:

The grant of the rights that are the subject of this Agreement is expressly conditioned upon the ability of Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, and Franchisee agrees to use its best efforts to obtain such licenses. If Franchisee fails, after a good faith effort, to obtain any such required liquor licenses before the date on which the Restaurant is otherwise ready to open for business, then at the option of MMIC and in its sole discretion, this Agreement may be terminated forthwith by MMIC upon written notice to Franchisee, in which event Franchisee will pay MMIC, within 10 days after receipt of an invoice indicating the amount owed, any expenses incurred and damages sustained by MMIC in connection with its performance under this Agreement before the date of such termination. After obtaining the necessary state or local liquor licenses, Franchisee shall comply with all applicable laws and regulations relating to the sale of liquor on the premises of the Restaurant. If Franchisee is subsequently prohibited for any reason from selling liquor on the premises of the Restaurant, then at the option of MMIC and in its sole discretion, this Agreement may be terminated by MMIC upon written notice to Franchisee. If Franchisee is cited for a violation of the liquor laws of the state in which the Restaurant is located, Franchisee shall provide prompt notice of such violation to MMIC.

Illinois law governs the Franchise Agreement.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain the same.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

“MMIC”

“FRANCHISEE”

Mongolian Management and Investment
Company, L.L.C.

By _____

By _____

Its _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Franchisee") to amend and revise certain provisions of the Franchise Agreement between MMIC and Franchisee, dated the same date as this Addendum, as follows:

1. Article 4.1 [Initial Franchise Fee] of the Franchise Agreement is hereby deleted and replaced with the following provision:

In consideration of the license and Franchise granted by MMIC, Franchisee shall pay MMIC, at the time Franchisee commences business at the Restaurant, a non-refundable initial franchise fee of \$45,000 (the "Initial Franchise Fee").

2. Article 7.38 [Liquor License] of the Franchise Agreement is hereby deleted and replaced with the following provision:

The grant of the rights that are the subject of this Agreement is expressly conditioned upon the ability of Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, and Franchisee agrees to use its best efforts to obtain such licenses. If Franchisee fails, after a good faith effort, to obtain any such required liquor licenses before the date on which the Restaurant is otherwise ready to open for business, then at the option of MMIC and in its sole discretion, this Agreement may be cancelled forthwith by MMIC effective upon Franchisee's receipt of written notice from MMIC, in which event Franchisee will pay MMIC, within 10 days after receipt of an invoice indicating the amount owed, any expenses incurred and damages sustained by MMIC in connection with its performance under this Agreement before the date of such cancellation. After obtaining the necessary state or local liquor licenses, Franchisee shall comply with all applicable laws and regulations relating to the sale of liquor on the premises of the Restaurant. If Franchisee is subsequently prohibited for any reason from selling liquor on the premises of the Restaurant, then at the option of MMIC and in its sole discretion, this Agreement may be terminated by MMIC upon written notice to Franchisee. If Franchisee is cited for a violation of the liquor laws of the state in which the Restaurant is located, Franchisee shall provide prompt notice of such violation to MMIC.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

"MMIC"
Mongolian Management and Investment
Company, L.L.C.

By _____

Its _____

"FRANCHISEE"

By _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Franchisee") to amend and revise certain provisions of the Franchise Agreement between MMIC and Franchisee, dated the same date as this Addendum, as follows:

1. Article 7.38 [Liquor License] of the Franchise Agreement is hereby deleted and replaced with the following provision:

The grant of the rights that are the subject of this Agreement is expressly conditioned upon the ability of Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, and Franchisee agrees to use its best efforts to obtain such licenses. If Franchisee fails, after a good faith effort, to obtain any such required liquor licenses before the date on which the Restaurant is otherwise ready to open for business, then at the option of MMIC and in its sole discretion, this Agreement may be cancelled forthwith by MMIC effective upon Franchisee's receipt of written notice from MMIC, in which event Franchisee will pay MMIC, within 10 days after receipt of an invoice indicating the amount owed, any expenses incurred and damages sustained by MMIC in connection with its performance under this Agreement before the date of such cancellation. After obtaining the necessary state or local liquor licenses, Franchisee shall comply with all applicable laws and regulations relating to the sale of liquor on the premises of the Restaurant. If Franchisee is subsequently prohibited for any reason from selling liquor on the premises of the Restaurant, then at the option of MMIC and in its sole discretion, this Agreement may be terminated by MMIC upon written notice to Franchisee. If Franchisee is cited for a violation of the liquor laws of the state in which the Restaurant is located, Franchisee shall provide prompt notice of such violation to MMIC.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

"MMIC"

"FRANCHISEE"

Mongolian Management and Investment Company, L.L.C.

By _____

By _____

Its _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this “Addendum”) is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. (“MMIC”) and _____ (“Franchisee”) to amend and revise certain provisions of the Franchise Agreement between MMIC and Franchisee, dated the same date as this Addendum, as follows:

1. Article 4.1 [Initial Franchise Fee] of the Franchise Agreement is hereby deleted and replaced with the following provision:

In consideration of the license and Franchise granted by MMIC, Franchisee shall pay MMIC, at the time Franchisee commences business at the Restaurant, a non-refundable initial franchise fee of \$45,000 (the “Initial Franchise Fee”).

2. Article 7.38 [Liquor License] of the Franchise Agreement is hereby deleted and replaced with the following provision:

The grant of the rights that are the subject of this Agreement is expressly conditioned upon the ability of Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, and Franchisee agrees to use its best efforts to obtain such licenses. If Franchisee fails, after a good faith effort, to obtain any such required liquor licenses before the date on which the Restaurant is otherwise ready to open for business, then at the option of MMIC and in its sole discretion, this Agreement may be cancelled forthwith by MMIC effective upon Franchisee’s receipt of written notice from MMIC, in which event Franchisee will pay MMIC, within 10 days after receipt of an invoice indicating the amount owed, any expenses incurred and damages sustained by MMIC in connection with its performance under this Agreement before the date of such cancellation. After obtaining the necessary state or local liquor licenses, Franchisee shall comply with all applicable laws and regulations relating to the sale of liquor on the premises of the Restaurant. If Franchisee is subsequently prohibited for any reason from selling liquor on the premises of the Restaurant, then at the option of MMIC and in its sole discretion, this Agreement may be terminated by MMIC upon written notice to Franchisee. If Franchisee is cited for a violation of the liquor laws of the state in which the Restaurant is located, Franchisee shall provide prompt notice of such violation to MMIC.

3. To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the following terms of this Addendum shall apply:

- A. Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
- B. Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
- C. The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

- D. The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.
- E. The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.
- F. The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
- G. The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.
- H. The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.
- I. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

“MMIC”

“FRANCHISEE”

Mongolian Management and Investment
Company, L.L.C.

By _____

By _____

Its _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE AGREEMENT
FOR THE STATE OF SOUTH DAKOTA**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Franchisee") to amend and revise certain provisions of the Franchise Agreement between MMIC and Franchisee, dated the same date as this Addendum, as follows:

1. Article 4.1 [Initial Franchise Fee] of the Franchise Agreement is hereby deleted and replaced with the following provision:

In consideration of the license and Franchise granted by MMIC, Franchisee shall pay MMIC, at the time Franchisee commences business at the Restaurant, a non-refundable initial franchise fee of \$45,000 (the "Initial Franchise Fee").

2. Article 7.38 [Liquor License] of the Franchise Agreement is hereby deleted and replaced with the following provision:

The grant of the rights that are the subject of this Agreement is expressly conditioned upon the ability of Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the premises of the Restaurant, and Franchisee agrees to use its best efforts to obtain such licenses. If Franchisee fails, after a good faith effort, to obtain any such required liquor licenses before the date on which the Restaurant is otherwise ready to open for business, then at the option of MMIC and in its sole discretion, this Agreement may be cancelled forthwith by MMIC effective upon Franchisee's receipt of written notice from MMIC, in which event Franchisee will pay MMIC, within 10 days after receipt of an invoice indicating the amount owed, any expenses incurred and damages sustained by MMIC in connection with its performance under this Agreement before the date of such cancellation. After obtaining the necessary state or local liquor licenses, Franchisee shall comply with all applicable laws and regulations relating to the sale of liquor on the premises of the Restaurant. If Franchisee is subsequently prohibited for any reason from selling liquor on the premises of the Restaurant, then at the option of MMIC and in its sole discretion, this Agreement may be terminated by MMIC upon written notice to Franchisee. If Franchisee is cited for a violation of the liquor laws of the state in which the Restaurant is located, Franchisee shall provide prompt notice of such violation to MMIC.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

"MMIC"
Mongolian Management and Investment
Company, L.L.C.

By _____

Its _____

"FRANCHISEE"

By _____

Its _____



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT C
AREA DEVELOPMENT AGREEMENT



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT

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EXHIBIT 1 - Developer and its Owners

EXHIBIT 2 - State-Specific Addenda to Area Development Agreement

MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is entered into and effective, as of _____, 20____, (the "Effective Date") between **MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.**, a Michigan limited liability company ("**MMIC**"), and _____ ("**Developer**"), a(n)_____.

INTRODUCTION

The parties to this Agreement understand that the circumstances underlying the execution of this Agreement are as follows:

MMIC has developed a distinctive business system for operating and franchising restaurants that offer a "create your own stir-fry" concept, and distinctive food and beverage products under the name "bd's Mongolian Grill®" (the "System"). MMIC has extensively publicized the "bd's Mongolian Grill®" name to the public as an organization of restaurant businesses operating under the System. MMIC may modify the System in the exercise of its business judgment and may authorize regional or local variations in the System, tests of potential new menu items or products, and the introduction of menu items or products in stages over time, all in the exercise of its business judgment to enhance the marketing, consumer acceptance, competitive position, compliance obligations, and other objectives intended to facilitate operations over the term of this Agreement;

MMIC has the right and authority to license the use of the name "bd's Mongolian Grill®" and the other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans, and tag lines designated by MMIC in writing that are now owned or that will be developed by MMIC (the "Marks") for use in connection with the System to selective persons or Entities that have agreed to comply with MMIC's uniformity requirements and quality standards. MMIC will continue to develop, use, and control the use of the Marks in order to identify to the public the source of Foods, Products and Services marketed under the System, and to represent to the public the System's high standards of quality, appearance, cleanliness and service; and

Developer desires to develop, own and operate bd's Mongolian Grill® restaurants (the "bd's Mongolian Grill® Restaurants" or the "Restaurants") using the Marks in conformity with the System and MMIC's uniformity and quality standards as may be established by MMIC from time to time in the Operating Manuals, and all other terms of the Franchise Agreements for Franchised Locations in the Territory defined herein pursuant to the Development Schedule contained herein.

AGREEMENT

Therefore, the parties agree as follows:

1. DEVELOPMENT RIGHTS; TERM OF AGREEMENT

1.1 Business Organization. If Developer is an Entity at any time during the term of this Agreement, Developer agrees and represents that:

- A. Developer has the authority to execute, deliver and perform Developer's obligations under this Agreement and is duly organized or formed and validly existing in good standing under the laws of the state of Developer's incorporation or formation;

- B. Developer's organizational or governing documents will recite that the issuance and transfer of any Ownership Interests in Developer are restricted by the terms of this Agreement, and all certificates and other documents representing Ownership Interests in Developer will bear a legend referring to the restrictions of this Agreement;
 - C. Exhibit 1 to this Agreement will completely and accurately describe all of Developer's Owners and their Ownership Interests in Developer;
 - D. Developer and its Owners agree to revise Exhibit 1 as may be necessary to reflect any ownership changes and to furnish such other information about its organization or formation as MMIC may request;
 - E. Each of Developer's Owners who own at least 5% of the Ownership Interests of Developer must sign the Personal Guaranty attached hereto, undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between Developer and MMIC; and
 - F. At MMIC's request, Developer will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of Developer's Owners and its agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).
- 1.2 Development Rights. MMIC grants to Developer the right, and Developer accepts the obligation, subject to the terms and conditions herein, to develop and operate the number of Restaurants according to the Development Schedule set forth in Article 2.1 at locations in the Territory selected by Developer evaluated by MMIC in accordance with MMIC's then-current Site selection procedures. The Restaurants shall be developed and operated in the Territory pursuant to the System and displaying the Marks in compliance with the Franchise Agreements entered into pursuant to this Agreement. As long as no Event of Default has occurred and is continuing, and no event has occurred which, with the giving of notice or lapse of time or both, would constitute an Event of Default as defined in this Agreement, MMIC will neither develop, open or operate, nor authorize any other person or Entity to develop, open or operate, bd's Mongolian Grill® Restaurants in the Territory during the term of this Agreement, except as provided below in this Article.
- 1.3 System in Other Concepts. MMIC expressly reserves the right to use some parts of or similar components of the System in connection with Other Concepts.
- 1.4 Other Concepts in Territory. MMIC expressly reserves the right, and Developer acknowledges that MMIC has the exclusive unrestricted right, to engage, directly and indirectly, through its employees, developers, franchisees, licensees, agents and others within the Territory, in Other Concepts. Such Other Concepts may compete with Developer directly or indirectly. Developer shall have no rights with respect to Other Concepts.
- 1.5 Exclusions from Territory. Developer's Territory shall not include any enclosed malls, institutions (such as hospitals or schools), airports, airport properties, parks (including theme, entertainment or amusement parks), casinos, military bases and sports arenas otherwise located within the Territory, nor a specifically

identified restricted area surrounding any Restaurant located within the Territory as of the date of this Agreement, nor shall it be deemed to convey any exclusivity with respect to the use of the Marks.

- 1.6 Franchise Agreement. Subject to Articles 2 and 3 hereof, Developer shall exercise the rights granted herein for each Restaurant in the Territory by executing, delivering and otherwise performing pursuant to a Franchise Agreement with MMIC.
- 1.7 Term. Unless sooner terminated as provided herein, this Agreement shall commence on the Effective Date and shall automatically expire on the date specified in Article 2.1 as the opening date for the last Restaurant to be opened in the Territory pursuant to this Agreement.
- 1.8 Post-Term Development. Upon the termination or expiration of this Agreement, (A) Developer shall not have the right to develop, open or operate additional Restaurants in the Territory pursuant to this Agreement; provided, however, that Developer may complete the development of and open, and/or continue to operate the Restaurants in the Territory under the then-existing Franchise Agreements signed by MMIC and Developer prior to the termination or expiration of this Agreement, subject to the terms and conditions thereof; and (B) MMIC may develop, open and operate, or authorize others to develop, open and operate, Restaurants in the Territory.

2. DEVELOPMENT SCHEDULE

2.1 Development Schedule. Developer shall develop, open, commence operation of and continuously operate pursuant to the respective Franchise Agreements a total of _____ (___) Restaurants in the Territory, pursuant to the Development Schedule as follows:

Restaurant No.	Date Franchise Agreement Must be Signed	Date Restaurant Must be Open and Operating	Cumulative Number of Operational Restaurants in Territory
1	Date of this Agreement		

- A. Developer will sign the Franchise Agreement and pay the Initial Franchise Fee for the first Restaurant in the Territory simultaneously with its execution of this Agreement.

B. Time is of the essence with respect to each of the development obligations specified in this Article 2.

- 2.2 Compliance with Development Schedule. Each Restaurant and the cumulative number of Restaurants indicated in the Development Schedule shall be open and operating by the dates specified therein. MMIC's evaluation of any Site or the execution of a Franchise Agreement shall not waive, extend or modify the Development Schedule. Unless otherwise agreed and approved by MMIC, the Restaurants shall refer to franchised bd's Mongolian Grill® Restaurants operating pursuant signed Franchise Agreements. If Developer: (A) closes any Restaurant in the Territory, whether voluntarily or involuntarily; or (B) loses the right to possess the Franchised Location, by fire or other casualty or otherwise, Developer shall locate and secure a suitable alternative Franchised Location in the Territory within six months after the closure or loss of possession of the original Franchised Location, and shall be open for business at the new Franchised Location not more than 12 months following the closing or loss of possession of the original Franchised Location. If a suitable alternative Franchised Location is not secured and opened as hereinabove described, Developer will no longer be in compliance with the Development Schedule and MMIC will have the right to terminate this Agreement as provided for herein. The opening of a Restaurant in replacement of closed Franchised Location under this provision shall not satisfy Developer's obligation to open the next Restaurant required to be open under Article 2.1 of this Agreement.
- 2.3 Execution of Franchise Agreements. Developer shall execute a separate Franchise Agreement for each Restaurant in the Territory and pay to MMIC the Initial Franchise Fee for each Restaurant as provided for herein.
- 2.4 Site Selection. MMIC makes no representation or warranty as to the number of Restaurants that can be operated in the Territory. Developer assumes all cost, liability, expense, risk and responsibility for locating, obtaining, and developing Sites for the Restaurants in the Territory, and for constructing and equipping the required number of Restaurants at such Sites. For each Restaurant in the Territory, Developer shall obtain MMIC's evaluation of each Site pursuant to the time frames set forth in Article 2.1 above in accordance with MMIC's then-existing Site selection criteria and procedures, including submission of all Development Materials to MMIC, and with respect to each Restaurant to be developed hereunder, completion of one Site visit by MMIC, at MMIC's sole cost and expense, if deemed necessary by MMIC.
- 2.5 No Warranty. Neither MMIC's (A) evaluation of, nor (B) assistance in the selection of, any Site in the Territory shall constitute MMIC's representation or warranty that a Restaurant operated at such Site will be profitable or meet any financial projection.

3. SITE REQUIREMENTS

- 3.1 Site Selection. Developer shall select the Franchised Locations for its Restaurants within the Territory, subject to the prior evaluation by MMIC, with the assistance of a commercial real estate broker according to the procedures set forth in this Article, the Franchise Agreement and the Operating Manuals. Developer shall submit all Development Materials required by the Operating Manuals to MMIC for MMIC's review. Among other things, Developer shall

submit to MMIC a written description of Developer's proposed Site together with evidence satisfactory to MMIC that confirms its favorable prospects for obtaining the proposed Site. Developer shall use the real estate site analysis services of a supplier approved by MMIC to evaluate Developer's proposed Site. Developer shall be responsible for all costs associated with such Site analysis. MMIC shall give Developer written notice of its evaluation of the proposed Site within 30 days after receiving Developer's Development Materials. After receiving MMIC's written evaluation of the Site for the Restaurant, Developer must execute a Lease (if the premises are to be leased) or a binding agreement to purchase the Site, subject to the review of the terms by MMIC.

- 3.2 Option to Purchase. If Developer purchases the Site for a Restaurant to be opened in the Territory, MMIC may require, in MMIC's sole option and discretion, that Developer grant MMIC the option to purchase the Franchised Location for the Restaurant at the expiration or the termination of the Franchise Agreement for the Restaurant.
- 3.3 Lease Provisions. If Developer executes a Lease for the Franchised Location of a Restaurant in the Territory, MMIC may require, in its sole discretion, that the Lease to be executed by Developer include, without limitation, the following provisions:
- A. Granting MMIC the right, at MMIC's election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement;
 - B. Granting MMIC the right, at MMIC's election, to receive an assignment of the leasehold interest if Developer defaults under the Lease;
 - C. Granting to MMIC the right, at MMIC's election, to receive an assignment of the leasehold interest if Developer fails to renew the Lease for the Franchised Location for a term consistent with the term of the then-current Franchise Agreement;
 - D. Permitting Developer to assign the Lease to MMIC at any time;
 - E. Requiring the lessor of the Franchised Location to provide MMIC all sales and other information lessor may have related to the operation of the Restaurant, as MMIC may request;
 - F. Requiring the lessor concurrently to provide MMIC with a copy of any written notice of deficiency under the Lease sent to Developer and granting MMIC, in its sole discretion, the right (but not the obligation) to cure any deficiency under the Lease should Developer fail to cure such deficiency within 21 days after the expiration of Developer's period to cure any such default;
 - G. Evidencing Developer's right to display MMIC's Marks in accordance with the specifications required by the Operating Manuals, subject only to the provisions of applicable law;
 - H. Requiring that the Franchised Location be used only for the operation of a bd's Mongolian Grill® Restaurant; and

- I. Permitting MMIC, upon accepting assignment of the Lease from Developer, to assign the Lease to another franchisee to operate a franchised bd's Mongolian Grill® Restaurant without the need to obtain the prior approval of the landlord; such assignment will relieve MMIC from any and all liability under the Lease.
- 3.4 Site Selection. Developer must obtain a Site for each Restaurant in the Territory within six months after the Effective Date of the Franchise Agreement for the Restaurant. If Developer fails to obtain a Site for the Restaurant within this time period, MMIC may, in its sole discretion, terminate the Franchise Agreement as provided for in the Franchise Agreement. If MMIC terminates the Franchise Agreement for failure to obtain the Site for a Restaurant within six months after the Effective Date of the Franchise Agreement or the Franchise Agreement is terminated for any other reason, Developer will no longer be in compliance with the Development Schedule
 - 3.5 Plans. MMIC agrees to loan Developer two sets of its standard plans and specifications for the construction of a bd's Mongolian Grill® Restaurant, which plans and specifications may be an existing Restaurant's plans or MMIC's current prototype (the "Plans"). The Plans may need to be altered or modified to meet Developer's space requirements, which modifications will be at Developer's sole cost and expense. The Plans are not intended to replace engineered stamp and sealed blue prints for the construction of the Restaurants. If revisions to the Plans are needed to conform to Developer's space requirements, such revisions shall be approved as to layout and concept by MMIC. MMIC's approval as to layout and concept shall not be construed as any representation or warranty by MMIC that the revisions comply with local, state or federal legal requirements. Developer shall rely upon its architects, engineers, or construction contractors for advice on the revisions to the Plans. MMIC will deliver the Plans to Developer within a reasonable time after the Effective Date of this Agreement.
 - 3.6 Construction Manager. For each bd's Mongolian Grill® Restaurant opened by Developer in the Territory, MMIC may, in its sole discretion, appoint a Construction Manager for the Restaurant and charge a "Construction Management Fee." If deemed necessary by MMIC, MMIC will provide a representative to act as the Construction Manager for the Restaurant who will provide assistance and services relating to the coordination and completion of the construction or renovation of the Restaurant premises. MMIC will impose the Construction Management Fee for providing the Construction Manager and the assistance and services provided during the construction or renovation process to be determined in MMIC's sole discretion. The Construction Management Fee amount will vary based upon the scope of assistance; however, the Construction Management Fee will not exceed \$20,000, plus MMIC's expenses payable in full by Developer within 10 days after receipt of an invoice from MMIC indicating the amount owed by Developer. If a Construction Manager is not provided by MMIC, Developer will appoint an employee who meets the qualifications established by MMIC who will be responsible for ensuring that the construction and renovation process for the Restaurant is completed in a timely manner and in compliance with MMIC's requirements.
 - 3.7 Site Development. Due to the unique design and style of the Restaurants, the initial construction or renovation of the Restaurants shall be pursuant to

architectural plans that conform to specifications and design provided or approved by MMIC. Promptly after obtaining possession of the Franchised Location for each Restaurant in the Territory, Developer shall:

- A. Retain the services of an architect and a contractor who will conform the design and construction to the standards and specifications for the construction as provided by MMIC. In its sole discretion, MMIC may require Developer to pay a design fee for the initial design of the floor plan and exterior elevation of the Restaurant, or may require Developer to utilize the services of MMIC's approved architect;
- B. Cause to be prepared, and submit for approval by MMIC, a site survey and basic architectural plans and specifications consistent with MMIC's requirements as set forth in the Operating Manuals;
- C. Obtain all required zoning changes and all required building, utility, health, sanitation, sign permits and licenses, and approval for the acquisition or transfer of a liquor license and any other required permits and licenses;
- D. Purchase or lease the required FF&E for the Restaurant;
- E. Complete the construction or renovation and installation of the FF&E and decorating of the Restaurant in compliance with plans and specifications approved by MMIC and all applicable ordinances, building code and permit requirements.
- F. Obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, renovation, remodeling, decorating and installation services; and
- G. Otherwise complete development of and have the Restaurant ready to open for business in accordance with the Franchise Agreement for the Restaurant.

3.8 Site Not Developed. If MMIC has evaluated a proposed Site for the Franchised Location within the Territory and Developer subsequently elects not to develop the Site, then MMIC shall have the right to: (A) develop and build a bd's Mongolian Grill® Restaurant at the site, or (B) to offer the Site to a current or new Developer and permit that Developer to develop and build a bd's Mongolian Grill® Restaurant at the Site.

3.9 Ownership of Franchised Location. If Developer is the owner of the real estate, building or premises in which the Franchised Location for a Restaurant in the Territory is located, Developer must grant to MMIC the option to purchase the Franchised Location upon the expiration or termination of the Franchise Agreement for the Restaurant by executing the documents required by MMIC to grant this option to MMIC.

4. FEES AND PAYMENTS

4.1 Development Fee. In consideration of the development rights granted herein, Developer shall pay the Development Fee to MMIC upon execution of this Agreement. The Development Fee is fully earned when paid. Developer shall not

be entitled to any refund of any portion of the Development Fee under any circumstances, including Developer's failure to open Restaurants in the Territory according to the Development Schedule in Article 2.1 of this Agreement. The Development Fee shall be an amount equal to \$45,000 for the first Restaurant required to be developed by the Developer in the Territory, plus \$10,000 for each additional Restaurant required to be developed in the Territory by Developer; \$_____. The Development Fee will be paid by Developer to MMIC in full upon execution of this Agreement.

- 4.2 Initial Franchise Fee. The Initial Franchise Fee to be paid by Developer for each Restaurant to be developed under the Development Schedule set forth in Article 2.1 hereof shall be \$45,000, payable upon execution of the Franchise Agreement for each Restaurant in accordance with the Development Schedule, even if the then-current Initial Franchise Fee amount then being charged by MMIC under the Franchise Agreement is a different amount. Developer shall receive a credit of \$10,000 against the payment of the Initial Franchise Fee due for each Restaurant developed according to the Development Schedule, except for the first Restaurant opened in the Territory.
- 4.3 Other Fees. All other Fees payable to MMIC by Developer for the Restaurants will be governed by the Franchise Agreements for the Restaurants in the Territory.

5. REPRESENTATIVE; OPERATING MANAGER; MANAGERS; TRAINING; NEW RESTAURANT TEAM

- 5.1 Representative. Developer hereby designates _____ as its Representative. Developer must designate the Representative on the Effective Date of this Agreement. The Representative (A) must own Ownership Interests in Developer, and (B) is authorized to act on behalf of, and bind, Developer with respect to this Agreement and the Franchise Agreements for each Restaurant in the Territory. Any replacement Representative shall be designated within 10 days of the prior Representative's resignation or termination. Each Representative shall attend and successfully complete to MMIC's satisfaction, all training programs required by MMIC.
- 5.2 Operating Manager. At such time as Developer has signed three Franchise Agreements for Restaurants in the Territory, Developer will designate in writing an individual meeting the qualifications set forth herein as Developer's Operating Manager. The Operating Manager hereunder and the Unit General Managers under each Franchise Agreement shall not be the same individual. The Operating Manager will devote his or her full time to the operation of Developer's Restaurants, will be responsible for the day-to-day operations of the Restaurants, must satisfactorily complete the Management Training required by MMIC or have been otherwise certified or approved by MMIC as meeting MMIC's minimum qualifications, cannot have an interest or business relationship with any Competing Business, and must maintain his or her primary residence within 50 miles of all of Developer's Restaurants.
- 5.3 Failure to Designate Operating Manager. Developer's failure to name an Operating Manager as provided for in Article 5.2 of this Agreement is a material breach of this Agreement and as such: (A) is grounds for the termination of this Agreement by MMIC after compliance with the provisions of this Agreement and

applicable law; or in the alternative, at MMIC's sole discretion, (B) MMIC may (i) designate an Operating Manager who meets the qualifications and requirements of this provision; or (ii) appoint a representative of MMIC to function as the Operating Manager for a fee payable by Developer to MMIC in an amount to be determined by MMIC, until such time as a qualified Operating Manager is designated by Developer, which shall not exceed 30 days. If the current Operating Manager should resign and/or be terminated, Developer must designate a replacement Operating Manager within 10 days. The Operating Manager requirements described above remain the same for any replacement Operating Manager. If required by MMIC, the replacement Operating Manager must attend and satisfactorily complete the Management Training program offered by MMIC. Developer must pay the wages and benefits, and the travel and living expenses for the replacement Operating Manager while he/she is attending the Management Training program, as well as MMIC's expenses associated with conducting the Management Training program.

- 5.4 Construction Manager. Not less than 60 days prior to the commencement of the construction or renovation of each Restaurant in the Territory, Developer shall designate the Construction Manager for the Restaurant who meets the qualifications established by MMIC. Any replacement Construction Manager shall be designated within 10 days of the prior Construction Manager's resignation/termination.
- 5.5 Unit General Manager and Managers. A Unit General Manager and the requisite number of Managers, as determined by MMIC, shall be employed by Developer for each Restaurant developed hereunder. All Unit General Managers and Managers shall attend and successfully complete the Management Training program required by MMIC.
- 5.6 Certified Training Restaurant. At such time as Developer has signed three Franchise Agreements for Restaurants in the Territory, Developer shall designate one of its Restaurants as a Certified Training Restaurant for the training of the Management Teams for each Restaurant in the Territory. Developer's Certified Training Restaurant shall be approved by MMIC and must meet the standards as provided in MMIC's Operating Manuals.
- 5.7 Training. Each Operating Manager, Unit General Manager, Construction Manager and Managers for each Restaurant shall have satisfactorily completed the training required by MMIC and shall be certified or approved by MMIC as meeting MMIC's minimum qualifications as required by the terms of each Franchise Agreement. Developer shall bear all costs and expenses related to the required training for each Operating Manager, each Unit General Manager, Construction Manager and other Managers consistent with the Franchise Agreements for the Restaurants in the Territory. MMIC's approval of any Operating Manager, Unit General Manager, Construction Manager or Manager shall not be construed as MMIC's endorsement of same, and shall not be construed by Developer as a representation or warranty by MMIC that any person accepted or consented to can or will perform the functions of the job for which the person is hired; Developer shall remain solely liable and responsible for all hiring decisions, regardless of MMIC's approval of any Operating Manager, Unit General Manager, Construction Manager or Manager.

5.8 New Restaurant Team. The New Restaurant Team shall assist Developer at the Franchised Locations in the Territory with (A) training Developer's Crews at the Restaurants; and (B) the opening of the Restaurants. The New Restaurant Team for a bd's Mongolian Grill® Restaurant typically consists of a combined total of approximately eight employees of MMIC and Developer. The actual number of members of the New Restaurant Team for each Restaurant and the total number of days that the New Restaurant Team assists Franchisee at each Restaurant in the Territory shall be determined by MMIC in its sole discretion, depending upon the number of Restaurant locations already open and operating by Developer, and such other criteria as MMIC deems reasonable. The members of the New Restaurant Team shall be determined by MMIC in its sole discretion. The number of MMIC's employees selected to serve on the New Restaurant Team for each Restaurant will be determined according to the following schedule; provided however, that MMIC may elect to modify this schedule in its discretion:

Restaurant No. Operated By Developer	No. of MMIC's Employees on the New Restaurant Team	No. of Team Members Paid for by MMIC	Team Members Paid for and Provided by Developer
1	8	8	0
2	4	4	Minimum of 4
3 and more	0	0	Minimum of 8

In the event MMIC determines that more than eight New Restaurant Team members are necessary for the opening of a Restaurant in the Territory, if Developer owns five or more bd's Mongolian Grill® Restaurants at the time it executes the Franchise Agreement for the Restaurant, Developer shall be responsible for all the costs and expenses associated with the New Restaurant Team members in excess of eight. If when Developer executes this Agreement, Developer owns less than five bd's Mongolian Grill® Restaurants, MMIC will bear the costs of the additional New Restaurant Team members. Otherwise, MMIC shall pay the salaries and benefits of the New Restaurant Team members provided by MMIC while assisting with the opening of the Restaurants, and Developer shall pay for all the travel, food and lodging arrangements and all other expenses for the New Restaurant Team members provided by MMIC to assist with the opening of the Restaurants, as determined by MMIC's New Restaurant Opening guidelines. If Developer fails or is unable to timely provide the New Restaurant Team members required by this provision for the opening of any Restaurant in the Territory, MMIC may, but shall not be obligated to, staff the New Restaurant Team with MMIC's employees. In that event, MMIC shall be responsible for (i) all travel, per diem food and lodging expenses, and (ii) the salaries, benefits and other expenses of the New Restaurant Team members; provided however, that Developer shall reimburse MMIC, within 10 days after receiving an invoice from MMIC indicating the amount owed, for the expenses incurred by MMIC for the employees who are provided by MMIC as a result of Developer's failure or inability to provide its employees for participation on the New Restaurant Team.

5.9 Training Expenses. MMIC shall provide instructors, facilities and materials for training as required by the terms of each Franchise Agreement, and may provide, at its option, other training programs, seminars and meetings as required by the terms of each Franchise Agreement as may be designated by MMIC from time to time in the Operating Manuals or otherwise in writing. Developer shall bear the

costs or reimburse MMIC for any expenses incurred by MMIC for such other training programs, seminars and meetings as provided for in the Franchise Agreements.

- 5.10 No Warranties. MMIC is not obligated to perform its training services to Developer's particular level of satisfaction, but as a function of MMIC's experience, knowledge and judgment. MMIC makes no representation or warranty that any person trained by MMIC can adequately perform the job function to which the person is assigned. Developer acknowledges and accepts all responsibility for the proper job performance of each and every employee of its Restaurants.

6. CONFIDENTIALITY

- 6.1 Confidential Information. Developer's entire knowledge of the operation of the Restaurants including, without limitation, the method of preparation of Menu Items and other food, product formulas, recipes, and the standards and operating procedures of the Restaurant, is derived from information disclosed to Developer by MMIC that is proprietary, confidential, and a trade secret of MMIC ("Confidential Information"). MMIC's Confidential Information gives MMIC and Developer a competitive advantage over those who do not know it and who may compete with MMIC, its Affiliates or its franchisees by operating restaurants that may or may not utilize a similar concept. Accordingly, Developer agrees that it and its Owners, officers, directors, Representative, Operating Manager, Unit General Managers, Managers, employees and agents (the "Developer Group") will not, either directly or indirectly, use for their own account or disclose to any other person or Entity any such Confidential Information anywhere in the world during the term of this Agreement and at any time following the termination or expiration of this Agreement. Developer and the Developer Group must maintain the absolute confidentiality of all Confidential Information during and after the term of this Agreement and not use any such Confidential Information in any other business or in any manner not specifically authorized or approved in writing by MMIC. All information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulas, recipes and other data which MMIC designates as confidential shall be deemed confidential for purposes of this Agreement, except information that Developer can demonstrate lawfully came to Developer's attention before disclosure by MMIC or that, at the time of or after disclosure by MMIC, had lawfully become a part of the public domain through publication or communication by others. Developer agrees to maintain the confidentiality of such Confidential Information by disclosing to its Developer Group only such information as is required by such person to perform his/her functions in the operation of the Restaurants and to cause such persons to maintain the confidentiality of such Confidential Information by obtaining from such persons, upon request by MMIC, written confidentiality agreements in the form prescribed by MMIC.
- 6.2 Operating Manuals. All information contained in the Operating Manuals is proprietary, and Developer must keep such information confidential both during the term of this Agreement and following the expiration or termination of this Agreement. Any authorized duplication or copying of any of the Operating Manuals must be performed by MMIC at Developer's expense. Developer must not at any time, without MMIC's prior written consent, copy, duplicate, record or

otherwise reproduce the Operating Manuals in whole or in part or otherwise make the same available to any person.

- 6.3 Property of MMIC. All Confidential Information received from MMIC, including all obsolete pages or other materials, shall remain the property of MMIC. Developer agrees that upon the expiration or termination of this Agreement, Developer's rights to use such material shall terminate, and all of such materials shall be immediately returned to MMIC.

7. BREACH AND TERMINATION

- 7.1 Automatic Termination without Notice. If permitted by applicable law, this Agreement shall terminate without notice to Developer upon the occurrence of any of the following Events of Default:

- A. The filing by or against Developer of any proceeding under the Bankruptcy Code;
- B. A plan of liquidation, reorganization, composition or arrangement of Developer's affairs is sought to be instituted for or against Developer, under State or Federal law, whether or not the same is subsequently approved by a court of competent jurisdiction;
- C. The appointment of a receiver for Developer by any court of competent jurisdiction;
- D. Developer makes a general assignment for the benefit of creditors; or
- E. Any execution, attachment or other creditors' process is issued against Developer or any of Developer's assets.

- 7.2 Termination Upon Notice. If permitted by applicable law, MMIC may terminate this Agreement by written notice, without opportunity to cure, upon the occurrence of any of the following Events of Default:

- A. Developer breaches the same or a similar provision of this Agreement three or more separate times in any 12-month period, so long as (i) Developer knew each such act was a breach, or (ii) before the second breach, MMIC notified Developer in writing that such act or acts constituted a breach under this Agreement;
- B. Developer fails to satisfy any judgment against Developer within 30 days after the judgment is entered and becomes final;
- C. Developer falsifies any report or financial statements required to be furnished MMIC;
- D. Developer misuses, as determined by MMIC in its sole discretion, any of the Marks;
- E. Developer or any of Developer's Owners is convicted of or pleads guilty to a felony;
- F. Developer or any of Developer's Owners is convicted of or pleads guilty to any law relating to the Restaurants in the Territory;

- G. Developer transfers any interest in this Agreement or Developer without the prior written consent of MMIC;
- H. An Event of Default arises under any other agreement Developer or an Affiliate of Developer has with MMIC or any of its Affiliates where Developer or its Affiliate has no opportunity to cure the Event of Default or the Event of Default is not capable of being cured.

Upon the occurrence of any of the above Events of Default, MMIC shall provide written notice to Developer indicting that this Agreement is terminated. Notice of termination under this Article shall be provided to Developer in accordance with Article 15.1 of this Agreement. MMIC has the discretion to immediately exercise any option available to MMIC on the day that notice is deemed to be received as provided in Article 15.1.

7.3 Termination upon Expiration of Opportunity to Cure. Upon the occurrence of any of the following Events of Default, MMIC shall give Developer a written notice of default in the manner provided for in Article 15.1 of this Agreement and, if Developer fails to cure all Events of Default specified in the notice of default within 30 days, or such other cure period as may be required by applicable law, after the date of delivery of the notice, MMIC may, by written notice of termination to Developer, terminate this Agreement effective upon the date such notice of termination is delivered, or deemed delivered, to Developer as provided in Article 15.1 of this Agreement:

- A. Developer breaches any material provision of this Agreement;
- B. Developer fails to obtain MMIC's prior written approval to a sale, transfer, or other action as required by Article 9 of this Agreement;
- C. Developer fails to maintain the active services of a MMIC-approved and certified Operating Manager for any period of 60 days;
- D. Any guarantor of Developer's obligations under this Agreement dies, becomes disabled, bankrupt, or the guarantor's ability to guaranty Developer's obligations under this Agreement is limited for any reason, or the guarantor discontinues or tries to limit the guarantor's liability under the Personal Guaranty;
- E. An Event of Default arises under any other agreement Developer or any Affiliate of Developer has with MMIC or an Affiliate of MMIC under which Developer or its Affiliate has an opportunity to cure and fails to cure that Event of Default within the time specified in that agreement, in which case the cure period under this Agreement shall be deemed to expire at the same time as the cure period of the agreement under which the Event of Default arose; or
- F. If the Event of Default allowing termination by MMIC is not capable of being cured, then if permitted by applicable law, this Agreement shall automatically terminate upon the date that written notice of default is delivered, or deemed delivered, to Developer pursuant to Article 15.1 of this Agreement.

8. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

- 8.1 Developer's Obligations. Upon the termination or expiration of this Agreement, Developer shall:
- A. Immediately pay to MMIC all Fees owed or accrued to MMIC or an Affiliate, whether owing under the terms of this Agreement or otherwise.
 - B. Permit MMIC to make inspection of Developer's financial records, books, tax returns and other accounting records at any time, after reasonable notice, within the three-year period following the effective date of termination or expiration of this Agreement.
- 8.2 Reversions of Rights. If this Agreement is terminated or expires, all rights to develop, open and operate additional Restaurants in the Territory and all other rights granted to Developer pursuant to this Agreement will automatically revert to MMIC, and MMIC will have the right to develop Restaurants the Territory or to contract with another developer or franchisee for the future development of the Territory. In addition, Developer will comply with all other applicable provisions of this Agreement, including those provisions with obligation that continue beyond the termination or expiration of this Agreement.
- 8.3 Franchise Agreements Not Affected. Developer will continue to operate the Restaurants owned by Developer in the Territory pursuant to the terms of the applicable Franchise Agreements signed by Developer and MMIC prior to the termination or expiration of this Agreement, and the rights and obligations of Developer and MMIC with respect to the Restaurants in the Territory will be governed by the terms of the applicable Franchise Agreements.
- 8.4 Continuation of Obligations. The post-term obligations of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

9. SALES OR TRANSFERS OF AGREEMENT

- 9.1 Transfer by MMIC. This Agreement and all rights hereunder may be assigned or transferred by MMIC and shall be binding upon and inure to the benefit of MMIC's successors and assigns. MMIC, its officers, directors, owners, employees and agents shall not be liable to Developer for MMIC's obligations under this Agreement to be performed prospectively from the date of the assignment or transfer.
- 9.2 Restrictions for Transfer to Entity. If Developer is an Entity, or any of Developer's rights under this Agreement are properly transferred to an Entity under this Agreement, a condition to MMIC's approval of such a transfer shall be Developer's placement of the following notation regarding transfer restrictions on all certificates (then issued and issued in the future) representing Ownership Interests in the Entity:

"This certificate and all rights thereunder and the transfer thereof are subject to the terms and conditions of a certain written agreement entered into with Mongolian Management and Investment Company, L.L.C."

Developer and its Owners shall take all actions necessary to comply with this provision, and provide MMIC with evidence of such actions in a form satisfactory to MMIC. Further, so long as the Entity that is Developer continues to own rights under this Agreement, Developer shall take no action which would cause the transfer notification to be removed from existing Ownership Interests or omitted from Ownership Interests issued in the future.

9.3 Transfer by Developer. As to Developer, this Agreement is personal, having been entered into by MMIC in reliance upon and in consideration of the qualifications and representations of Developer. If Developer is an Entity, MMIC entered into this Agreement in reliance upon and in consideration of, without limitation, the qualifications and representations of Developer as an Entity; the identity, qualifications and representations of the Operating Partner (if applicable); and the identity, qualifications and representations of the Owners. Therefore, neither this Agreement, in whole or part, nor any Ownership Interest in Developer, nor substantially all the assets of Developer, the Franchise Agreements or the Restaurants may be assigned, transferred, or divided in any manner by Developer, or anyone else, without the prior written approval of MMIC; nor may this Agreement, in whole or part, be sold such that the sale results in a change in the Operating Partner (if applicable) or the addition or deletion of an Owner of Developer. Except as otherwise provided in this Agreement, the transfer of this Agreement or the Ownership Interests of Developer may not be made to other than a bona fide purchaser for value. Furthermore, MMIC's approval of a proposed transfer may be conditioned upon any or all of the following, in MMIC's sole discretion:

- A. MMIC's satisfaction with the character, business experience and credit rating of the transferee (and its officers, directors and Owners, if it is an Entity).
- B. Payment by Developer of all outstanding Fees owed by Developer to MMIC.
- C. Execution by Developer of a release of any and all claims against MMIC, MMIC's officers, directors, owners, agents, and employees arising out of or related to this Agreement or to any other aspect of the relationship between Developer, on the one hand, and MMIC, its officers, directors, owners, agents and employees, on the other hand. The release shall be on a form prepared or approved by MMIC.
- D. Payment by Developer to MMIC of a nonrefundable "Transfer Fee" equal to the greater of \$25,000 or an amount equal to the costs and expenses incurred by MMIC to review and implement the assignment or transfer.
- E. Execution by the transferee, its Owners, officers, directors, Managers, employees and other persons associated with the transferee as required by MMIC, of any related agreements in the form required to be executed by new developers at the time of the assignment or transfer.

Except as permitted by Article 9.4, any sale of any Ownership Interest in Developer that results in a change in the Operating Partner (if applicable) or the addition or deletion of an Owner shall be considered an impermissible transfer, unless completed in accordance with this Article. Developer consents to MMIC's

releasing to any proposed transferee any information concerning the Restaurants that Developer has reported to MMIC. MMIC may expand upon, and provide more details related to, the conditions for transfer and MMIC's consent as described in this Article, and may do so in the Operating Manual or otherwise in writing.

- 9.4 Transfer to Entity. If Developer is an individual or a partnership, MMIC hereby expressly consents to the assignment of this Agreement to an Entity formed to operate the Restaurants authorized by this Agreement, if it is owned and controlled solely by the individual or the Owners of the unincorporated Entity from which the assignment is made, provided the following conditions are satisfied:
- A. The assignment does not relieve the original Developer of the obligations under this Agreement.
 - B. The documents representing the Ownership Interests in the Entity contain a notation regarding transfer restrictions contained in this Agreement, so long as this Agreement and any extensions hereof remain in effect.
 - C. The organizational documents of the Entity otherwise comply with the requirements of this Agreement.
- 9.5 Death or Incapacity. If Developer is an individual, and in the event of the death or mental incapacity of Developer, this Agreement shall terminate at the end of the 90-day period that begins on Developer's date of death, or the date that Developer is declared to be mentally incompetent by a court of competent jurisdiction pursuant to applicable law, as the case may be; provided that Developer's legal representative may attempt to arrange for the transfer of this Agreement during the 90-day period, and such transfer, when presented to MMIC for approval, will be subject to the terms of Article 9.3, provided that no Transfer Fee will be payable. If this Agreement is not transferred as permitted within the 90-day period and, as a result, this Agreement automatically terminates, the provisions of Article 8 shall be applicable.
- 9.6 Right of First Refusal. Except for transfers contemplated by Article 9.4, MMIC shall have the right of first refusal with respect to all bona fide written offers to purchase that Developer receives for the Restaurants or the Ownership Interests of Developer. Any time that Developer receives a bona fide offer to purchase, Developer shall inform MMIC in writing of all the terms and conditions of the offer and provide MMIC with a copy of any written offer to purchase. Any such offer must be in writing and signed by the offeree to be considered bona fide. MMIC may, within 90 days after receiving the notice of the bona fide offer, notify Developer in writing of its election to exercise its right to purchase the Restaurants or the Ownership Interests of Developer on the same terms and conditions as are contained in that offer. If the offer provides for any payments in the form of property other than cash, MMIC can substitute cash for the fair market value of such property or services. If MMIC waives or fails to exercise its option, and subject to the conditions contained in Article 9.3, Developer can complete the proposed sale or transfer, but only to the bona fide offeree, and only on the same terms and conditions as were disclosed to MMIC. Such sale must be completed within 90 days after the expiration of MMIC's option period or, if earlier, the date on which MMIC waived its option rights in writing.

9.7 Use of Agreement as Collateral. This Agreement and Developer's rights under this Agreement, may not, under any circumstances, be assigned, transferred or pledged as collateral to any other person or Entity (including Developer), and no person or Entity shall succeed to any rights of Developer under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or other legal process.

10. NON-COMPETE COVENANTS

10.1 Non-Compete Agreement.

- A. Developer acknowledges that the Confidential Information disclosed to Developer and all other aspects of the System are highly valuable assets of MMIC, and Developer on behalf of itself and its Developer Group agrees that they shall not, without MMIC's prior written consent (i) during the term of this Agreement, directly or indirectly including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal, agent, owner or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit Developer's name or any part of the name to be used or employed by any person or Entity engaged in or concerned with or interested in any Competing Business similar to the Restaurants, unless such other business is operated pursuant to a written license or other agreement with MMIC, and (ii) for a period of two years after the date of assignment, termination or expiration of this Agreement, directly or indirectly including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal, agent, owner or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit Developer's name or any part of the name to be used or employed by any person or Entity engaged in or concerned with or interested in any Competing Business similar to the Restaurants within the Territory or within 20 miles of any bd's Mongolian Grill® Restaurant, unless such other business is operated pursuant to a written license or other agreement with MMIC. MMIC may require Developer to cause any or all Developer Group members to execute a written covenant not to compete in a form prescribed by MMIC.
- B. Developer also acknowledges and agrees that if any member of the Developer Group should violate the provisions of Article 10.1.A above with respect to the operation of a Competing Business following assignment, expiration or termination of this Agreement, then the period of non-competition shall be extended until two years following the date the violating member of the Developer Group ceases all activities that are in violation of such provision.

10.2 Reasonable Restrictions. Developer and the Developer Group agree that the restrictions contained in this Article are reasonable and necessary to protect the business interests of MMIC, which business interests the Developer Group acknowledges to be valuable and legitimate.

- 10.3 Restriction as to Employees. MMIC and Developer mutually agree neither to employ, nor seek to employ, any person who is (or was during the previous three months) employed by the other at a manager-level position or above, without first obtaining the consent of the other. Additionally, MMIC and Developer mutually agree not to induce, directly or indirectly, any such person to leave his or her employment.

11. INDEMNIFICATION

- 11.1 Indemnification Obligations. Developer shall, at all times, indemnify and hold harmless to the fullest extent permitted by law MMIC, its current and former Affiliates, successors and assigns, and the past and present officers, directors, owners, agents, representatives, independent contractors, servants and employees of each of them (“Indemnitees”), from all “Losses and Expenses” (as defined below in this Article) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), or settlement (whether or not a formal proceeding or action has been instituted) that arises out of or is based on any of the following:
- A. The infringement, alleged infringement, or any other violation or alleged violation by Developer of any patent, Mark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted pursuant to this Agreement);
 - B. The violation, breach or asserted violation or breach by Developer of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;
 - C. Libel, slander or any other form of defamation of MMIC, the System or any developer or Developer operating under the System, by Developer;
 - D. The violation or breach by Developer of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between Developer or any of its Affiliates and MMIC or any of its Affiliates, or the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of any of them; and
 - E. Actions, inaction, negligence, wrongdoing, errors or omissions of Developer, any of Developer’s Affiliates and the officers, directors, owners, agents, representatives, independent contractors and employees of each of them in connection with the establishment and operation of the Restaurants including, but not limited to, any actions, inaction, negligence, wrongdoing, errors or omissions of any of these individuals in the operation of any motor vehicle. The parties understand and agree that MMIC cannot and does not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, Developer or any employee, agent or independent contractor of Developer, and that the safe operation of any motor vehicle is Developer’s responsibility.

- F. Assertion of a claim against Indemnitees of vicarious liability, respondent superior, principal/agent or similar theory based on Developer's acts or omissions.
- 11.2 Notice. Developer agrees to give MMIC prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Developer, MMIC may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by MMIC shall, in no manner or form, diminish the obligation of Developer to indemnify the Indemnitees and to hold them harmless.
- 11.3 Corrective Actions. In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, MMIC may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in MMIC's sole judgment, there are reasonable grounds to believe that:
- A. Any of the acts or circumstances enumerated in Article 11.1.A through D above have occurred; or
- B. Any act, error, or omission as described in Article 11.1.E and F may result directly or indirectly in damage, injury, or harm to any person or any property.
- 11.4 Losses and Expenses. All Losses and Expenses incurred under this Article shall be chargeable to and paid by Developer pursuant to its obligations of indemnity under this Article, regardless of any actions, activity or defense undertaken by MMIC or the subsequent success or failure of such actions, activity, or defense.
- 11.5 Losses and Expenses Defined. As used in this Article, the phrase "Losses and Expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to the MMIC's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.
- 11.6 No Liability. The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of any third party with whom Developer, Developer's Affiliates or any of the officers, directors, Owners, agents, representatives, independent contractors and employees of Developer or its Affiliates may contract, regardless of the purpose. Developer shall hold harmless and indemnify the Indemnitees for all Losses and Expenses which may arise out of any acts, errors or omissions of Developer, Developer's Affiliates, the officers, directors, Owners, agents, representatives, independent contractors and employees of Developer and its Affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence (whether such

negligence be sole, joint or concurrent, or active or passive) or strict liability of MMIC or any other party or parties arising in connection therewith.

- 11.7 Mitigation of Losses. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against Developer. Developer agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from Developer by the Indemnitees.
- 11.8 Survival of Indemnification Obligation. Developer expressly agrees that the terms of this Article shall survive the termination, expiration or transfer of this Agreement, the Restaurants or the Ownership Interests of Developer.
- 11.9 Developer Losses and Expenses. MMIC shall, at all times, indemnify and hold harmless to the fullest extent permitted by law, Developer, successors and assigns, and the officers, directors, Owners and employees of each of them ("Reciprocal Indemnitees") from all "Developer Losses and Expenses" incurred in connection with any third party action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or settlement (whether or not a formal proceeding or action has been instituted), that arises out of or is based upon any of the following:
- A. Libel, slander or any other form of defamation of a third party by MMIC, or any person acting by, for or on behalf of MMIC; or
 - B. The intentional or malicious infliction of injury as to any third party by MMIC.

For purposes of this provision, "Developer Losses and Expenses" shall include all compensatory damages, costs, legal fees, court costs and expenses incurred in connection with matters indemnified above.

12. RELATIONSHIP OF PARTIES

- 12.1 Status of Developer. Developer is and shall be an independent contractor and nothing in this Agreement shall be construed so as to create an agency or an employment relationship, a partnership or a joint venture between the parties. Neither party shall act or have the authority to act as agent for the other and neither Developer nor MMIC shall guarantee the obligations of the other or in any way become obligated for the debts or expenses of the other unless agreed to in writing. Developer is not and shall not hold itself out as being an agent or an employee of, or a partner or joint venturer with MMIC. Developer will prominently display in its Restaurants, so that it is clearly visible to the public, a sign or placard stating that the Restaurants are independently owned and operated by Developer.
- 12.2 Public Record of Status. Developer shall not use the words "bd's Mongolian Grill®," "bd's®," or MMIC's name as part of its business or Entity name. In all public records and in Developer's relationships and dealings with all other persons or Entities, Developer shall indicate that it is an independent business and that it is only a licensee of MMIC. Developer shall prominently indicate on all letterheads, business forms, and the like that it is a licensee of MMIC by placing thereon language that is in substance the same as the following: "a licensee of Mongolian Management and Investment Company, L.L.C."

- 12.3 Franchise Rights. Developer acknowledges that this Agreement is not a franchise agreement and does not grant Developer or any Owner any rights in or to the System or the Marks, except of expressly provided herein.
- 12.4 No Authority to Subfranchise. Developer agrees that it has no authority, express or implied, to subfranchise others to use MMIC's System or Marks, or to subdivide or grant undivided interests in the rights granted by this Agreement.
- 12.5 Employment Decisions. Developer shall be solely responsible for all employment decisions and functions of the Restaurants including, without limitation, those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, scheduling, supervision, and discipline of employees, regardless of whether Developer receives advice from MMIC on these subjects. Developer acknowledges and agrees that all personnel decisions shall be made by Developer, without any influence or advice from MMIC, and such decisions and actions shall not be, nor be deemed to be, a decision or action of MMIC.

13. ATTORNEYS' FEES AND CONSENT TO INJUNCTION

- 13.1 Attorneys' Fees. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and the claim of Developer in such action is denied or the action is dismissed, MMIC shall be entitled to recover from Developer its attorney fees, and all other costs and expenses incurred in defending against the same, and to have such an amount awarded as part of the judgment in the proceeding. If MMIC institutes any legal action to interpret or enforce the terms and conditions of this Agreement and MMIC prevails, MMIC shall be entitled to recover from Developer, its attorneys' fees and other costs and expenses in said action (and interest on such fees, costs and expenses).
- 13.2 Injunctive Relief. Developer acknowledges that it will be difficult to measure accurately the damages to MMIC from any breach of Developer of the covenants and restrictions set forth in this Agreement, that the injury to MMIC from any such breach would be incalculable and irremediable and that damages would not be an adequate remedy. Developer agrees that if it shall breach or attempt to breach any of the terms of this Agreement, MMIC shall be entitled as a matter of right to obtain from any court of competent jurisdiction an injunction, without posting bond or other security, (i) prohibiting Developer from any further breaches of this Agreement, (ii) rescinding any action taken by Developer contrary to the terms of this Agreement, and (iii) authorizing MMIC to recover from Developer any and all salaries, monies, commissions, income, profits or other remuneration or gain that Developer may have received or to which it may have become entitled to receive by reason of the conducting of any activity in violation of the terms, conditions or covenants of this Agreement. The issuance of such an injunction will not prevent MMIC from obtaining such other relief as is appropriate under the circumstances, such as the award of other monetary damages.

14. WAIVER OF RIGHTS

Failure by either party to enforce any rights under this Agreement shall not be construed as waiver of such rights. Any waiver, including waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance. Any

acceptance of money or other performance by MMIC from Developer shall not constitute a waiver of any default except as to the payment of the particular payment or performance so received. Notwithstanding the previous provisions, if either party defaults or fails to abide by any of its obligations under this Agreement, the other party must give notice of such failure within one year after such failure occurs, or the aggrieved party shall be deemed to have waived the breach, unless the breach relates to the underreporting or failure to report gross receipts by Developer or failure to pay any amounts owing to MMIC by Developer. To the extent similar obligations are required to be performed in the future, a waiver of a past performance shall not preclude the party from insisting on full performance of such obligation in the future.

15. NOTICES

15.1 Notice to MMIC and Developer. Any notices to be given hereunder shall be in writing and shall be either delivered personally, by a recognized overnight delivery service (such as Federal Express, Airborne Express or UPS) which requires a written confirmation of delivery to the address of the addressee, or by first class, certified or registered mail, with postage fully paid. Any notice to be delivered to MMIC shall be addressed to:

Becky Moldenhauer - CFO
Mongolian Management and Investment Company, L.L.C.
8200 Springwood Drive, Suite #230
Irving, TX 75063-5811

With a copy to: Ryan R. Palmer, Esq.
Lathrop GPM
500 IDS Center
80 South 8th Street
Minneapolis, MN 55402

Any notice to Developer shall be delivered to the address of the first Franchised Location in the Territory. Any notice delivered by mail or a recognized overnight delivery service in the manner specified herein shall be deemed delivered and received, if the notice is not signed for upon delivery, two business days after delivery.

15.2 Notice of Address Change. The address specified for service of notice may be changed at any time by either party by giving written notice to the other party of the new address of the party.

16. ENFORCEMENT

16.1 Enforcement by Judicial Process. MMIC shall have the right to enforce by judicial process its right to receive Fees due from Developer; to enforce the post-termination provisions contained in Article 8; to terminate this Agreement by MMIC for the Events of Default enumerated in Article 7; to prevent or remedy a material breach of this Agreement by Developer if such breach could materially impair the goodwill associated with MMIC's Marks (including actions with respect to the servicing of wholesale accounts); to enforce the confidentiality provisions of this Agreement; to prevent unapproved transfers or sales as provided in Article 9; to compel specific performance if MMIC shall exercise any options pursuant to this Agreement, and to enforce the non-competition provisions of Article 10 of

this Agreement. MMIC shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions enforcing the aforementioned provisions. If a court determines a bond is necessary, Developer agrees that no bond shall be required. If MMIC is successful in obtaining an injunction or any other relief against Developer, Developer shall pay MMIC an amount equal to the aggregate of MMIC's costs of commencing and prosecuting the action including, without limitation, attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

16.2 Mediation. Mediation.

- A. At MMIC's option, the parties agree to submit to mediation any claim, controversy, or dispute between MMIC or its affiliates (and MMIC's and its affiliates' respective owners, officers, directors, managers, agents, representatives, and/or employees) and Developer or its affiliates or the Owners (and Developer's principals, agents, representatives, and/or employees) arising out of or related to: (a) this Agreement or any other agreement between MMIC and Developer; (b) MMIC's relationship with Developer; or (c) the validity of this Agreement or any other agreement between MMIC and Developer, before bringing such claim, controversy, or dispute in a court or before any other tribunal.
- B. The mediation will be conducted by a mediator agreed upon by MMIC and Developer. If agreement cannot be reached within 15 days after MMIC has notified Developer of its the other of its desire to seek mediation, then mediation will occur with the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation will be held at the offices of the AAA in the city where MMIC's principal place of business is located at the time of the mediation. The costs and expenses of mediation paid to the AAA or to the mediator will be paid equally by the parties. All other mediation-related expenses, including but not limited to, attorneys' fees and travel expenses, will be paid by the party that incurred such expenses.
- C. If the parties are unable to resolve the claim, controversy, or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may proceed with arbitration pursuant to Article 16.3. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.
- D. Moreover, regardless of this mediation agreement, MMIC and Developer each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

16.3 Arbitration. Except insofar as MMIC elects to enforce this Agreement by judicial process and injunction as provided above, all disputes and claims between MMIC and Developer not resolved during the mediation process described in Article 16.2 above, including, but not limited to all disputes relating to any provision of this Agreement, to any specification, standard, operating procedure or other obligation of MMIC or its agents or the breach thereof (including, without

limitation, any claim that this Agreement, any provision thereof, any specification, standard, operating procedure or any other obligation of Developer or MMIC is illegal, unenforceable or voidable under any law, ordinance or ruling) shall be settled by binding arbitration administered by the American Arbitration Association pursuant to its Commercial Arbitration Rules and the Optional Appellate Arbitration Rules. Arbitration will be held in accordance with the Federal Arbitration Act (9 U.S.C. §1 et seq.). The arbitration shall be held in the city in which MMIC's Headquarters are located at the time the arbitration is initiated. Any arbitrator appointed must have at least 10 years experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement. MMIC and Developer acknowledge that judgment upon an arbitration award may be entered in any court of competent jurisdiction.

- 16.4 Individual Actions Only. Any arbitration proceeding shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis.
- 16.5 WAIVER OF JURY TRIAL. TO THE EXTENT EITHER PARTY IS PERMITTED TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND ELECTS TO DO SO, EACH OF THE PARTIES WAIVES ITS RIGHT TO A TRIAL BY JURY. THIS WAIVER SHALL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATED WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN MMIC AND DEVELOPER (INCLUDING ANY OWNERS OR GUARANTORS, IF APPLICABLE, AND INCLUDING ACTIONS INVOLVING AFFILIATES, OFFICERS, EMPLOYEES OR AGENTS OF MMIC OR DEVELOPER) FOR BREACH OF THIS AGREEMENT.
- 16.6 Waiver of Punitive Damages. MMIC and Developer (and the respective Owners and Developer's personal guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and against any Affiliates, Owners, employees, or agents of the other, and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of actual damages sustained by it and any equitable relief to which it might be entitled.
- 16.7 Exclusive Jurisdiction and Venue. MMIC and Developer (and their respective Owners, officers, Affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of the state of Texas, even if additional persons are named as parties to such litigation (unless the courts of the applicable state would have no jurisdiction over such additional persons). No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or Affiliates shall be commenced by any party except in the state or federal courts of Dallas County, Texas, nor shall any such action be transferred to any other venue. DEVELOPER UNDERSTANDS THAT THIS CLAUSE COMPELS IT TO LITIGATE IN THE STATE OF TEXAS, AND DEVELOPER KNOWINGLY WAIVES ITS RIGHT TO OTHERWISE OBJECT TO

THE EXCLUSIVE VENUE. Notwithstanding the foregoing, if MMIC is permitted to seek injunctive relief under this Agreement, MMIC may, at its option, bring such action in the county where Developer's principal place of business in the Territory is located.

- 16.8 Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between MMIC and Developer. MMIC and Developer each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between MMIC and Developer. The parties waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.
- 16.9 Limitation of Claims. All claims, except for the Fees due to MMIC or Developer's performance under this Agreement, arising under this Agreement or from the relationship between the parties are barred unless an action is filed and timely served on the opposing party within one year from the date the party knew or should have known of the facts creating the claim, except to the extent any applicable law or statute provides for a shorter period of time to bring a claim or as otherwise required by law.

17. CONSTRUCTION

- 17.1 Governing Law; Severability. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) and the Federal Arbitration Act (9 U.S.C. §1 et seq.), this Agreement and the relationship between MMIC and Developer will be governed by the laws of the state in which the Territory is located. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by Developer and MMIC.
- 17.2 Applicable State Laws. If applicable, the following states have statutes which may supersede the provisions of this Agreement in Developer's relationship with MMIC in the areas of termination and renewal of franchises: Arkansas [Stat. Section 70-807], California [Bus. & Prof. Code Sections 20000-20043], Connecticut [Gen. Stat. Section 42-133e, et seq.], Delaware [Code Section 2552], Hawaii [Rev. Stat. Section 482E-1], Illinois [815 ILCS 705/19-20], Indiana [Stat. Section 23-2-2.7], Michigan [Stat. Section 19.854(27)], Minnesota [Stat. Section 80C.14], Mississippi [Code Section 75-24-51], Missouri [Stat. Section 407.400], Nebraska [Rev. Stat. Section 87-401], New Jersey [Stat. Section 56:10-1], Virginia [Code 13.1-557-574-13.1-564], Washington [Code Section 19.100.180], and Wisconsin [Stat. Section 135.03]. These and other states may have court decisions that may supersede the provisions of this Agreement in Developer's relationship with MMIC in the areas of termination and renewal of the Franchise Agreements.

- 17.3 State Law Modifications. If the Territory is located in any one of the states indicated below in this Article, or if the laws of any such state are otherwise applicable, then the applicable provisions of this Agreement will be amended and revised as follows:
- A. California. If this Agreement is governed by the laws of the State of California, then: (i) the covenant not to compete upon termination or expiration of this Agreement contained in this Agreement may be unenforceable, except in certain circumstances provided by law; and (ii) provisions of this Agreement giving MMIC the right to terminate in the event of Developer's bankruptcy may not be enforceable under federal bankruptcy laws (11 U.S.C. §101 et seq.).
 - B. Illinois. If this Agreement is governed by the laws of the State of Illinois, then: (i) the Illinois Franchise Disclosure Act of 1987 [815 ILCS 705/1-44] (the "Illinois Act") and Illinois law will be applicable to this Agreement; (ii) Section 19 of the Illinois Act will be applicable to the termination of this Agreement by MMIC; (iii) any provision of this Agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that this Agreement may provide for arbitration in a forum outside of Illinois; (iv) Section 27 of the Illinois Act will be applicable to any action maintained by Developer to enforce any liability created by the Illinois Act; (v) any representations made by MMIC in the Franchise Disclosure Document provided to Developer will remain valid and enforceable by Developer after the execution of this Agreement; (vi) any condition, stipulation or provision of this Agreement requiring Developer to waive compliance with any provision of the Illinois Act is void; and (vii) the acknowledgments made by Developer in this Agreement will not be construed to act as a release, estoppel or waiver of Developer's rights under the Illinois Act.
 - C. Maryland. In accordance with the laws of the State of Maryland: (i) the provisions of this Agreement requiring jurisdiction and venue of lawsuits in the state of Texas will be deleted from this Agreement, and Developer will have the right to commence litigation, lawsuits and other court proceedings alleging claims arising under the Maryland Franchise Registration and Disclosure Law ("Maryland Law") or to enforce arbitration decisions in the State of Maryland; (ii) the acknowledgments made by Developer in this Agreement will not be construed to act as a release, estoppel or waiver of Developer's rights under the Maryland Law and the release agreement required to be signed upon renewal, sale, or assignment/transfer shall not apply to any liability under the Maryland Law; and (iii) any limitation on the period of time during which claims must be brought will not act to reduce the three-year statute of limitations afforded to Developer for bringing a claim arising under the Maryland Law and any claims arising under the Maryland Law must be brought within three years after the Effective Date of this Agreement.
 - D. Minnesota. If this Agreement is governed by the laws of the State of Minnesota, then (i) except in certain circumstances specified by Minnesota law, MMIC must give Developer at least 180 days prior written notice of nonrenewal of a Franchise Agreement; (ii) except in certain circumstances provided by Minnesota law, if MMIC gives Developer

written notice that Developer has breached a Franchise Agreement, such written notice will be given to Developer at least 90 days prior to the date the Franchise Agreement is terminated by MMIC, and Developer will have 60 days after such written notice within which to correct the breach specified in the written notice; (iii) notwithstanding any provisions of this Agreement to the contrary, in any injunctive proceeding commenced by MMIC against Developer or the Owners, a court of competent jurisdiction will determine whether MMIC will be granted injunctive relief and whether MMIC will be required to post a bond or other security, and the amount of such bond or other security; and (iv) notwithstanding any provisions of this Agreement to the contrary, Developer will have up to three years after the cause of action accrues to bring an action against MMIC pursuant to Minn. Stat. §80C.17.

- E. New York. If this Agreement is governed by the laws of the State of New York, then: (i) all rights enjoyed by Developer and any cause of action arising in its favor from the laws of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this provision that the nonwaiver requirements of General Business Law §687.4 and §687.5 be satisfied; and (ii) modifications to the Operating Manuals by MMIC will not unreasonably increase Developer's obligations or place an excessive economic burden on Developer's operations.
- F. North Dakota. If this Agreement is governed by the laws of the State of North Dakota, then: (i) the covenant not to compete upon termination or expiration of this Agreement may be unenforceable, except in certain circumstances provided by law; (ii) arbitration hearings will be conducted in Fargo, North Dakota or at a mutually agreed upon location; (iii) the consent by Developer to jurisdiction and venue in the state of Texas contained in this Agreement will be inapplicable to Developer; and (iv) any provisions of this Agreement which limit the statute of limitations period for claims under the North Dakota Franchise Investment Law ("North Dakota Law") or the parties' rights or remedies under the North Dakota Law, such as the right to recover exemplary or punitive damages or to a jury trial, will not be enforceable.
- G. Rhode Island. If this Agreement is governed by the laws of the State of Rhode Island, then any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.
- H. South Dakota. If this Agreement is governed by the laws of the State of South Dakota, then: (i) the covenant not to compete upon termination or expiration of this Agreement may be unenforceable, except in certain circumstances provided by law; (ii) any provision of this Agreement which designates jurisdiction or venue outside of the State of South Dakota or requires Developer to agree to jurisdiction or venue in a forum outside of the State of South Dakota is void with respect to any cause of action which is otherwise enforceable in the State of South Dakota; (iii) any acknowledgment provision, disclaimer, integration clause or provision having a similar effect in this Agreement will not negate or act to remove

from judicial review any statement, misrepresentation or action that violates Chapter 37-5B or a rule or order under Chapter 37-5B; (iv) arbitration hearings will be conducted in Sioux Falls, South Dakota, or at a mutually agreed upon location; and (v) provisions of this Agreement which require that actions be commenced within a specified time limit, and that limit the parties' rights to recover punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

I. Washington.

- a. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- b. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- c. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- d. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- e. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that

conflict with these limitations are void and unenforceable in Washington.

f. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

J. Wisconsin. If this Agreement is governed by the laws of the State of Wisconsin, then the provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of this Agreement.

17.4 Entire Agreement. This Agreement, the exhibits, any addendums attached to this Agreement, and the other related agreements between Developer and MMIC contain all the terms and conditions agreed upon by the parties regarding the subject matter of this Agreement and all prior discussions and agreements are of no further effect. No promises or representations have been made by MMIC other than set forth in this Agreement, except that the parties hereby acknowledge that nothing contained in this provision will disclaim representations made in MMIC's Franchise Disclosure Document delivered to Developer prior to Developer's execution of this Agreement. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by MMIC and Developer. THERE ARE NO WARRANTIES, REPRESENTATIONS, COVENANTS OR AGREEMENTS, EXPRESS OR IMPLIED, BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER HEREOF INCLUDING, WITHOUT LIMITATION, ANY IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING, EXCEPT THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT.

17.5 Receipt of Franchise Documents. Developer acknowledges that it received MMIC's Franchise Disclosure Document and a standard form of MMIC's Area Development Agreement and Franchise Agreement at least 14 calendar days before the date of its execution by Developer and the payment of any Fees to MMIC. Developer further acknowledges that it received this Agreement in the form actually executed at least seven calendar days before the date of its execution by Franchisee.

17.6 Developer. The term "Developer" shall include all persons who succeed to the interest of the original Developer by transfer or operation of law and shall be deemed to include not only the individual or Entity defined as "Developer" in the introductory paragraph of this Agreement but shall also include all Owners of the Entity that execute this Agreement, and these persons acknowledge and accept the duties and obligations imposed by the terms of this Agreement. If Developer consists of two or more persons or Entities, the covenants on the part of Developer shall be deemed to be the joint and several covenants of such persons. For the purposes of this Agreement, "Developer" will include the Affiliates of Developer, provided that such Affiliates are wholly-owned by Developer or the Owners of Developer.

18. DEFINITIONS

As used in this Agreement, the following words and phrases shall have the meanings attributed to them in this Article:

- 18.1 Events of Default - defined in Article 7.
- 18.2 Fees - the Development Fee, Initial Franchise Fees, the Service Fees, the Advertising and Production Fund Fees, and all other amounts then due and payable by Developer to MMIC pursuant to this Agreement, the Franchise Agreements or any other agreement, or for any products or services purchased by Developer from MMIC or an Affiliate of MMIC.
- 18.3 Franchise Agreement - MMIC's then-current standard Franchise Agreement.
- 18.4 New Restaurant Team - MMIC's employees and, if applicable, certain of Developer's employees to whom MMIC has consented who will assist Developer at the Franchised Locations with training Developer's Crews and the opening of the Restaurants.
- 18.5 Operating Manager - the individual designated in writing by Developer as required by Article 5.2 who will devote his or her full time and best efforts to the management and supervision of (A) Developer's duties and obligations hereunder, and (B) the operation of the Restaurants in the Territory.
- 18.6 Representative - the individual designated in Article 5.1 who (A) owns Ownership Interests in Developer, and (B) is authorized to act on behalf of, and bind, Developer with respect to this Agreement and the Franchise Agreements for each Restaurant in the Territory.
- 18.7 Territory - the geographical area described and delineated as follows:

The Territory may be further described in a map attached hereto and signed by Developer and MMIC.
- 18.8 Terms Defined in Franchise Agreement - Capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, have the meanings ascribed to such terms in the Franchise Agreement.

19. DEVELOPER'S LEGAL COUNSEL

Developer acknowledges that this Agreement constitutes a legal document that grants certain rights to and imposes certain obligations upon Developer. Developer has been advised by MMIC to retain an attorney or advisor prior to the execution of this Agreement to review the MMIC's Franchise Disclosure Document, to review this Agreement in detail, to review all legal documents, including any Leases, all purchase agreements and architectural and construction contracts, to review the economics, operations and other business aspects of the Restaurants to determine compliance with applicable laws, to advise Developer on economic risks, liabilities, obligations and rights under this Agreement, and to advise Developer on tax issues, financing matters, applicable state and federal laws, health and safety laws, liquor laws, environmental laws, employee issues, insurance, structure of the business, and other legal and business

matters. The name and telephone number of Developer's attorney or other advisor is: (Print Name of Attorney and name of Firm) _____

Address _____

City/State _____ Telephone (_____) _____

Fax (_____) _____ Email Address: _____.

IN WITNESS WHEREOF, MMIC, Developer and the Owners have respectively signed this Agreement effective as of the date set forth above.

[signature pages follow]

In the Presence of:

Signature

Print Name

MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.

By _____
Its _____

In the Presence of:

Signature

Print Name

“DEVELOPER”

Legal Name
By _____
Signature

Print Name
Its _____
Title

In the Presence of:

Signature

Print Name

And

By _____
Signature

Print Name
Its _____
Title

Each of the undersigned Owners of Developer hereby confirms that the Ownership Interests set forth below for each Owner are true and correct and, as a condition to MMIC agreeing to enter into this Agreement with Developer, each Owner with an Ownership Interest in Developer agrees to execute and be bound by the terms and conditions of this Agreement and the Personal Guaranty attached to this Agreement.

<u>In the Presence of:</u>	<u>Names of Owners:</u>	<u>Percentage of Ownership:</u>
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
_____	_____	_____ %
Signature	Signature	
_____	_____	
Print Name	Print Name	
	Total	_____ <u>100%</u>

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "Personal Guaranty") is made and entered into this _____ day of _____, 20____, by and between Mongolian Management and Investment Company, L.L.C., a Michigan limited liability company ("MMIC"), and each one of the undersigned personal guarantors (the "Personal Guarantors").

WHEREAS, MMIC and _____, (a/an) _____ ("Developer") have entered into an Area Development Agreement, dated the same date as set forth above (the "Agreement"), and

WHEREAS, it is the desire of each one of the undersigned Personal Guarantors to personally guaranty the obligations of Developer under the terms of the Agreement and to be individually, jointly and severally bound by the terms and conditions of the Agreement;

NOW, THEREFORE, in consideration of the execution of the Agreement by MMIC, and for other good and valuable consideration, each one of the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Agreement, including the covenants not to compete, to be paid, kept and performed by Developer.

Obligations under Agreement. Each one of the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement, including the covenants not to compete, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement. Each one of the Personal Guarantors acknowledges having received a copy of the Agreement which is incorporated herein by reference.

Default of Developer. If Developer defaults on any monetary obligation of the Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to MMIC the Fees due and payable to MMIC under the terms and conditions of the Agreement or for any purchases of goods or services made by Developer from MMIC or any Affiliate of MMIC.

Noncompliance by Developer. If Developer fails to comply with any other terms and conditions of the Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Agreement for and on behalf of Developer.

Obligations of Developer. If Developer is at any time in default on any obligation to pay monies to MMIC or any Affiliate of MMIC, whether for the Development Fee, Initial Franchise Fees, Service Fees, Advertising and Production Fund Fees, goods and/or services purchased by Developer from MMIC or any Affiliate of MMIC, or for any other indebtedness of Developer to MMIC or any Affiliate of MMIC, then each of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable by Developer to MMIC or any Affiliate of MMIC upon default by Developer.

Binding Agreement. Each one of the Personal Guarantors warrant and represent that he/she (a) has the capacity to execute this Personal Guaranty, (b) has had the opportunity to consult with and retain legal counsel to represent his/her interests, and (c) will be bound by all of the terms and conditions of this Personal Guaranty. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of MMIC.

Jurisdiction and Venue. Except as precluded by applicable law, all arbitration, litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with the terms of the Agreement. Each one of the Personal Guarantors agrees to the dispute resolution provisions, including jurisdiction and venue, contained in the Agreement, and each Personal Guarantor waives any claim that jurisdiction and venue are either invalid or inappropriate.

PERSONAL GUARANTORS

Signature	Signature
Print Name	Print Name
Address	Address
City, State and Zip Code	City, State and Zip Code
Telephone	Telephone
Signature	Signature
Print Name	Print Name
Address	Address
City, State and Zip Code	City, State and Zip Code
Telephone	Telephone

EXHIBIT 1

TO THE AREA DEVELOPMENT AGREEMENT BETWEEN
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AND

DATED _____, 20____

Developer and its Owners

This form must be completed by Developer if Developer has multiple Owners or if Developer is owned by an Entity. MMIC is relying on its truth and accuracy in entering into the Area Development Agreement with Developer.

1. Form of Owner. Developer is a (check only one):

- (a) General Partnership []
 - (b) Corporation []
 - (c) Limited Partnership []
 - (d) Limited Liability Company []
 - (e) Other []
- Specify: _____

2. Business Entity. Developer was formed on _____, 20____ under the laws of the State of _____. Developer has not conducted business under any name other than the Entity name. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions with Developer are listed below:

<u>Name of Person</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3. Owners. The following list includes the full name and mailing address of each person who is an Owner of the Ownership Interests in Developer, and fully describes the nature of each Owner's interest. Attach additional sheets if necessary.

<u>Owner's Name and Address</u>	<u>Description of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

This Exhibit is current and complete as of _____, 20____.

DEVELOPER:

By: _____
Name: _____
Its: _____

EXHIBIT 2

STATE-SPECIFIC ADDENDA TO AREA DEVELOPMENT AGREEMENT WITH
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

THIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Developer") to amend and revise certain provisions of the Area Development Agreement between MMIC and Developer, dated the same date as this Addendum, as follows:

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

[SIGNATURES ON FOLLOWING PAGE]

“MMIC”

**Mongolian Management and Investment
Company, L.L.C.**

By _____

Its _____

“DEVELOPER”

By _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

THIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Developer") to amend and revise certain provisions of the Area Development Agreement between MMIC and Developer, dated the same date as this Addendum, as follows:

1. Article 4.1 [Development Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

In consideration of the development rights granted herein, Developer shall pay the Development Fee to MMIC as set forth in this provision. The Development Fee shall be an amount equal to \$45,000 for the first Restaurant required to be developed by the Developer in the Territory, plus \$10,000 for each additional Restaurant required to be developed in the Territory by Developer; \$_____. The Development Fee will be paid by Developer to MMIC in full on the date Developer opens its first Restaurant in the Territory. The Development Fee is fully earned when paid. Developer shall not be entitled to any refund of any portion of the Development Fee under any circumstances, including Developer's failure to open Restaurants in the Territory according to the Development Schedule in Article 2 of this Agreement.

2. Article 4.2 [Initial Franchise Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

The Initial Franchise Fee to be paid by Developer for each Restaurant to be developed under the Development Schedule set forth in Article 2.1 hereof shall be \$45,000, payable in accordance with the provisions of the Franchise Agreement for each Restaurant, even if the then-current Initial Franchise Fee amount then being charged by MMIC under the Franchise Agreement is a different amount. Developer shall receive a credit of \$10,000 against the payment of the Initial Franchise Fee due for each Restaurant developed according to the Development Schedule, except for the first Restaurant opened in the Territory.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Area Development Agreement, the terms of this Addendum will govern. All other terms and conditions of the Area Development Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

"MMIC"

"DEVELOPER"

Mongolian Management and Investment Company, L.L.C.

By _____

By _____

Its _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF MINNESOTA**

THIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Developer") to amend and revise certain provisions of the Area Development Agreement between MMIC and Developer, dated the same date as this Addendum, as follows:

1. Article 4.2 [Initial Franchise Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

The Initial Franchise Fee to be paid by Developer for each Restaurant to be developed under the Development Schedule set forth in Article 2.1 hereof shall be \$45,000, payable in accordance with the provisions of the Franchise Agreement for each Restaurant, even if the then-current Initial Franchise Fee amount then being charged by MMIC under the Franchise Agreement is a different amount. Developer shall receive a credit of \$10,000 against the payment of the Initial Franchise Fee due for each Restaurant developed according to the Development Schedule, except for the first Restaurant opened in the Territory.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Area Development Agreement, the terms of this Addendum will govern. All other terms and conditions of the Area Development Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

"MMIC"

"DEVELOPER"

**Mongolian Management and Investment
Company, L.L.C.**

By _____

By _____

Its _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

THIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20____ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Developer") to amend and revise certain provisions of the Area Development Agreement between MMIC and Developer, dated the same date as this Addendum, as follows:

1. Article 4.1 [Development Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

In consideration of the development rights granted herein, Developer shall pay the Development Fee to MMIC as set forth in this provision. The Development Fee shall be an amount equal to \$45,000 for the first Restaurant required to be developed by the Developer in the Territory, plus \$10,000 for each additional Restaurant required to be developed in the Territory by Developer; \$_____. The Development Fee will be paid by Developer to MMIC in full on the date Developer opens its first Restaurant in the Territory. The Development Fee is fully earned when paid. Developer shall not be entitled to any refund of any portion of the Development Fee under any circumstances, including Developer's failure to open Restaurants in the Territory according to the Development Schedule in Article 2 of this Agreement.

2. Article 4.2 [Initial Franchise Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

The Initial Franchise Fee to be paid by Developer for each Restaurant to be developed under the Development Schedule set forth in Article 2.1 hereof shall be \$45,000, payable in accordance with the provisions of the Franchise Agreement for each Restaurant, even if the then-current Initial Franchise Fee amount then being charged by MMIC under the Franchise Agreement is a different amount. Developer shall receive a credit of \$10,000 against the payment of the Initial Franchise Fee due for each Restaurant developed according to the Development Schedule, except for the first Restaurant opened in the Territory.

3. To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the following terms of this Addendum shall apply:

- A. Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
- B. Covenants not to compete during the term of and upon termination or expiration of the area development agreement are enforceable only under certain conditions according to North Dakota law. If the Area Development Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
- C. The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

- D. The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.
- E. The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.
- F. The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
- G. The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.
- H. The Area Development Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.
- I. The Area Development Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Area Development Agreement, the terms of this Addendum will govern. All other terms and conditions of the Area Development Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

“MMIC”

“DEVELOPER”

Mongolian Management and Investment Company, L.L.C.

By _____

By _____

Its _____

Its _____

**ADDENDUM TO
MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF SOUTH DAKOTA**

THIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT (this "Addendum") is made, entered into, and effective this _____ day of _____, 20__ by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") and _____ ("Developer") to amend and revise certain provisions of the Area Development Agreement between MMIC and Developer, dated the same date as this Addendum, as follows:

1. Article 4.1 [Development Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

In consideration of the development rights granted herein, Developer shall pay the Development Fee to MMIC as set forth in this provision. The Development Fee shall be an amount equal to \$45,000 for the first Restaurant required to be developed by the Developer in the Territory, plus \$10,000 for each additional Restaurant required to be developed in the Territory by Developer; \$_____. The Development Fee will be paid by Developer to MMIC in full on the date Developer opens its first Restaurant in the Territory. The Development Fee is fully earned when paid. Developer shall not be entitled to any refund of any portion of the Development Fee under any circumstances, including Developer's failure to open Restaurants in the Territory according to the Development Schedule in Article 2 of this Agreement.

2. Article 4.2 [Initial Franchise Fee] of the Area Development Agreement is hereby deleted and replaced to provide as follows:

The Initial Franchise Fee to be paid by Developer for each Restaurant to be developed under the Development Schedule set forth in Article 2.1 hereof shall be \$45,000, payable in accordance with the provisions of the Franchise Agreement for each Restaurant, even if the then-current Initial Franchise Fee amount then being charged by MMIC under the Franchise Agreement is a different amount. Developer shall receive a credit of \$10,000 against the payment of the Initial Franchise Fee due for each Restaurant developed according to the Development Schedule, except for the first Restaurant opened in the Territory.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Area Development Agreement, the terms of this Addendum will govern. All other terms and conditions of the Area Development Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

"MMIC"

"DEVELOPER"

**Mongolian Management and Investment
Company, L.L.C.**

By _____

By _____

Its _____

Its _____



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT D
CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT
AND COVENANT NOT TO COMPETE

**CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT AND
COVENANT NOT TO COMPETE
Franchisee/Individual Owner(s)**

This Confidentiality and Nondisclosure Agreement and Covenant Not to Compete (this "Agreement") is entered into as of the date or dates set forth below by and between _____ ("Franchisee") and Mongolian Management and Investment Company, L.L.C. ("MMIC").

WHEREAS, MMIC is the Franchisor of bd's Mongolian Grill® Restaurants, and has the authority to disclose and discuss all information, procedures, standards and systems developed by MMIC relating to the operations of bd's Mongolian Grill® Restaurants (hereinafter referred to as the "System") to its franchisees, including Franchisee;

WHEREAS, confidential information will be disclosed to Franchisee as a franchisee of MMIC operating a franchised bd's Mongolian Grill® Restaurant ("Franchise Unit"); and

WHEREAS, such confidential information gives MMIC and Franchisee a competitive advantage over those who do not know it and who may compete with MMIC, its affiliates or its franchisees by operating restaurants that may or may not utilize a similar concept.

NOW, THEREFORE, in order to induce MMIC to transmit Confidential Information, as defined below, to Franchisee, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee hereby agrees as follows:

1. The term "Confidential Information" shall mean, but shall not be limited to, any and all information concerning MMIC's System including, but not limited to, all information contained in MMIC's Operations Manuals, Training Manuals, or other Manuals provided to Franchisee by MMIC, all memoranda, notes, disks, cost analysis, trademarks, copyrights, logos, signage, blueprints, sketches, recipes, methods, processes, designs, plans, property, reports and documents, MMIC's operational, manufacturing, administrative, merchandising, marketing, costing, production and related information, information concerning the business, operations and markets of bd's Mongolian Grill® Franchise Units whether full service or limited service, and all copies and extracts thereof, prepared by or on behalf of MMIC or any of its officers, employees, attorneys, representatives, agents or consultants, which is disclosed to or acquired by Franchisee directly or indirectly from MMIC in the course of activities related to the purchase and sale of a Franchise Unit, or which is obtained by Franchisee through an inspection of any facility employing Confidential Information.

2. Franchisee agrees to retain all Confidential Information in strict confidence and not use it except as otherwise provided herein, and Franchisee agrees not to claim any right or interest in or to disclose Confidential Information to others.

3. Franchisee shall have the right to communicate Confidential Information to its shareholders, officers, directors, members, Unit Managers, managers, employees, agents, and its attorneys and other representatives approved in advance by MMIC to the extent necessary for such person to perform his/her functions in the operation of the Franchise Unit.

4. Franchisee agrees to cause any person to whom Confidential Information is disclosed to maintain the strict confidentiality of such Confidential Information and cause such persons to execute a written Confidentiality and Nondisclosure Agreement in a form prescribed

or approved by MMIC. A written Confidentiality and Nondisclosure Agreement in a form prescribed or approved by MMIC is to be executed by all partners if Franchisee is a partnership or limited partnership, all officers and shareholders if Franchisee is a corporation, and all members if Franchisee is a limited liability company. A written Confidentiality and Nondisclosure Agreement in a form prescribed or approved by MMIC must also be executed by Franchisee's Operating Partner, Unit General Manager, managers, and any other person with access to any Confidential Information.

5. In the event the relationship contemplated by the Franchise Agreement between Franchisee and MMIC terminates or expires without renewal, then Franchisee agrees to thereafter continue to maintain the confidentiality of the Confidential Information, and to not use any of the Confidential Information to own, operate or develop restaurants similar to the Franchise Unit. Franchisee shall also return to MMIC all Confidential Information supplied to it by MMIC pertaining to the Business or the Franchise Unit, and shall not retain any copies or other reproductions, or extracts thereof, prepared by Franchisee or any of its officers, employees, attorneys, representatives or consultants, in connection with the Franchise Unit. Franchisee, or an authorized representative of Franchisee shall provide a certificate to MMIC that all of the foregoing have in fact been destroyed.

6. (a) Franchisee acknowledges that the Confidential Information disclosed to Franchisee and all other aspects of the System are highly valuable assets of MMIC, and Franchisee agrees that it shall not, without the prior written consent of the MMIC (i) during the term of any franchise agreement, area development agreement or any similar agreement between Franchisee (or a person or entity affiliated with the Franchisee) and MMIC, (collectively, a "Franchise Agreement"), directly or indirectly, including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal, agent, shareholder or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit its name or any part thereof to be used or employed by any person or entity engaged in or concerned with or interested in any business competitive with or similar to the Franchise Unit unless such other business is operated pursuant to a written franchise, license or other agreement with MMIC, and (ii) for a period of two (2) years from the date of its termination or expiration without renewal, directly or indirectly, including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal agent, shareholder or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit its name or any part thereof to be used or employed by any person or entity engaged in or concerned with or interested in any business competitive with or similar to the Franchise Unit within 20 miles of the Franchise Unit or any other bd's Mongolian Grill® Restaurant, unless such other business is operated pursuant to a written franchise, license or other agreement with MMIC. Franchisee agrees to cause all persons to whom it has disclosed Confidential Information to execute a written Covenant Not to Compete Agreement in a form approved by MMIC.

(b) Franchisee also acknowledges and agrees that if Franchisee should violate the provisions of Section 6 of this Agreement with respect to the operation of a competing business following expiration or termination of the Franchise Agreement, then the period for which the prohibition stated therein shall be applicable shall be extended until two (2) years following the date Franchisee ceases all activities that are in violation of such provision.

7. Franchisee acknowledges that it will be difficult to measure accurately the damages to MMIC from any breach by Franchisee of the covenants and restrictions set forth herein, that the injury to MMIC from any such breach would be incalculable and irremediable

and the damages would not, therefore in and of themselves, be an adequate remedy. Franchisee therefore agrees that in the event it shall breach or attempt to breach any of the terms of this Agreement, MMIC shall be entitled as a matter of right to obtain from any court of competent jurisdiction an injunction (i) prohibiting Franchisee from any further breaches of this Agreement; (ii) rescinding any action taken by Franchisee contrary to the terms of this Agreement; and (iii) authorizing MMIC to recover from Franchisee any and all salaries, fees, commissions, income, profits or other remuneration or gain which Franchisee may have received or to which it may have become entitled to receive from or by reason of the conducting of any activity in violation of the terms, conditions or covenants of this Agreement. The issuance of such an injunction will not prevent MMIC from obtaining such other relief as is appropriate under the circumstances, such as the award of other monetary damages.

8. This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance or otherwise by the laws of the state in which MMIC's headquarters is located.

9. In the event any Paragraph or portion of any Paragraph in this Agreement shall be determined to be invalid or unenforceable for any reasons, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining valid and enforceable Paragraphs hereof, which shall be construed as if such invalid or unenforceable Paragraph or Paragraphs had not been inserted.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year written below.

FRANCHISEE:

By: _____

Title: _____

Dated: _____

MMIC:

MONGOLIAN MANAGEMENT AND
INVESTMENT COMPANY, L.L.C.

By: _____

Title: _____

Dated: _____

OWNER(S) OF FRANCHISEE:

Dated: _____

Dated: _____

Dated: _____

Dated: _____



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT E
REAL ESTATE OPTION TO PURCHASE AGREEMENT

REAL ESTATE OPTION TO PURCHASE

THIS OPTION AGREEMENT is entered into between Mongolian Management and Investment Company, L.L.C. of 8200 Springwood Drive, Suite #230, Irving, TX 75063-5811 (hereinafter referred to as "MMIC") and _____ located at _____ (hereinafter referred to as "Franchisee").

WHEREAS, Franchisee and MMIC have entered into a Franchise Agreement by which Franchisee acquired the right to establish and operate a bd's Mongolian Grill® restaurant (the "Restaurant") using the Marks and the System as those terms are defined in the Franchise Agreement, dated the ____ day of _____, 20____ (hereinafter referred to as the "Franchise Agreement");

WHEREAS, the Franchise Agreement requires that MMIC approve the location for the Restaurant to be established pursuant to the above-referenced Franchise Agreement, that approval being conditioned upon the execution of this Option Agreement in the event Franchisee owns or controls the real estate for the Restaurant;

WHEREAS, Franchisee has submitted for MMIC's approval particular real estate for the Restaurant;

NOW THEREFORE, it is hereby agreed as follows:

1. Option. Franchisee hereby grants to MMIC the option to purchase the real estate described in Exhibit A attached hereto (and hereinafter referred to as the "Real Estate") upon the expiration without renewal or termination of the Franchise Agreement. Any transfer, renewal, extension, or amendment of the Franchise Agreement shall not affect this Option Agreement unless expressly so provided. The terms of the option rights granted in this Option Agreement are as follows:

A. Exercise of Option. Within fifteen (15) days following the termination or expiration without renewal of the Franchise Agreement as provided for in the Franchise Agreement, MMIC may notify Franchisee, in writing of its intention to exercise this option to purchase the Real Estate, and which notice shall constitute an agreement to purchase the Real Estate conditioned upon MMIC obtaining any necessary financing. The closing of the sale shall occur as soon as all documentation and other matters have been completed, including the obtaining of any necessary financing, but in any event not later than ninety (90) days after the date upon which the fair market value of the Real Estate is established, as provided in Paragraph B below, unless the parties hereto agree to a later closing date.

B. Fair Market Value. The parties will attempt to agree upon a fair price for the purchase of the Real Estate, but upon failing to do so within thirty (30) days from the date of the exercise of this option by MMIC, MMIC shall select and pay for the services of a qualified appraiser to establish the fair market value of the Real Estate, and a copy of that appraisal shall be provided to Franchisee. Within ten (10) days after Franchisee receives the written appraisal, Franchisee shall advise MMIC, in writing, as to whether Franchisee accepts the appraisal. If the appraisal is acceptable to both MMIC and Franchisee, then the amount stated therein shall be the purchase price. If Franchisee rejects the value stated in the appraisal, then Franchisee must notify MMIC of its rejection within the ten (10) day period (failing to so notify shall be deemed to be an acceptance) and thereafter Franchisee shall select and pay for the services of a qualified appraiser to appraise the value of the property within fifteen (15) days thereafter. Franchisee shall provide MMIC with a copy of the appraisal so obtained, within thirty (30) days after its rejection of the appraisal obtained by MMIC. If MMIC accepts the value stated therein, then the amount stated therein shall be the purchase price. If MMIC rejects the value stated in this appraisal, then two (2) appraisers shall select

a third (3rd) appraiser within the fifteen (15) days thereafter whose determination of fair market value as to the property shall be final and binding on the parties. The cost of the third (3rd) appraiser shall be paid equally by both the MMIC and Franchisee.

C. Possession. Upon receipt of MMIC's notice that it is exercising the option to purchase, Franchisee shall immediately vacate the premises and transfer possession of them to MMIC. From the date of possession to the date of the closing, MMIC shall pay on or before Friday of each week a per diem rate equal to .002 of the assessed value on the property, with the final adjustment to be made at closing equal to .002 of the purchase price for the real estate. All utilities and taxes shall be prorated as of the date of possession. Taxes shall be deemed to cover the calendar year in which the taxes become a lien. Taxes that become a lien in years prior to the year of closing shall be paid by Franchisee without proration. Taxes that become a lien in the year of closing shall be prorated so that the Franchisee shall be charged with taxes from the first of the year to closing date and MMIC shall be charged with taxes for the balance of the year. If any bill for taxes pro-ratable under this provision has not yet been issued, the corresponding tax bill for the last previous year shall be substituted therefore and used in proration. Franchisee shall provide an owners policy of title insurance without exceptions covering the real estate at Franchisee's expense, or at MMIC's option, a complete abstract showing marketable title, together with a ten year tax history, tax lien search, and financing statements search, all certified to the date of the transfer of possession to MMIC, the cost of the abstract to be paid by Franchisee. Franchisee shall maintain insurance on the real estate to the date of closing, with MMIC becoming responsible for insuring the property beginning with the date of closing.

2. Miscellaneous.

A. Applicable Law. This Agreement shall be construed according to the laws of the state in which the real estate is located.

B. Integration. This Agreement together with the Franchise Agreement, and any addendums that are attached hereto and are executed on the date hereof which are hereby incorporated herein, contain all of the terms and conditions agreed upon by the parties. No promises or representations have been made by MMIC other than herein set forth. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by both MMIC and Franchisee.

C. Arbitration. Any dispute between the parties, and any claim by either party that cannot be amicably settled, shall be determined solely and exclusively by arbitration as provided for in the Franchise Agreement.

This Option Agreement is executed this _____ day of _____, 20_____.

**MONGOLIAN MANAGEMENT AND INVESTMENT
COMPANY, L.L.C.**

By: _____
Its: _____

FRANCHISEE

By: _____
Its: _____



**MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT F
REAL ESTATE LEASE RIDER**

REAL ESTATE LEASE RIDER

THIS LEASE RIDER AGREEMENT is made and entered into between Mongolian Management and Investment Company, L.L.C. ("MMIC"), located at 8200 Springwood Drive, Suite #230, Irving, Texas 75063-5811, and _____, located at _____, ("Franchisee").

WHEREAS, MMIC and Franchisee have executed a Franchise Agreement on the ____ day of _____, 20____, for the establishment of a bd's Mongolian Grill® Restaurant (the "Franchise Unit") to be operated pursuant to MMIC's Marks and System as those terms are defined in the Franchise Agreement.

WHEREAS, the Franchise Agreement requires the execution of this Lease Rider Agreement if the real estate for the establishment of the Franchise Unit pursuant to the Franchise Agreement is leased by Franchisee;

WHEREAS, Franchisee proposes to enter into a real estate lease for the premises of the Franchise Unit to be operated pursuant to the Franchise Agreement, which lease is dated the ____ day of _____, 20____, a copy of which is attached hereto as Exhibit A, and which is incorporated herein by reference (hereinafter referred to as the "Real Estate Lease"):

NOW THEREFORE, it is hereby agreed as follows:

1. Conditional Assignment. Franchisee hereby assigns to MMIC all of Franchisee's right, title and interest in and to the Real Estate Lease, including any and all rights or options of Franchisee to extend, renew, or purchase the leased property for the Franchise Unit through a right of first refusal or otherwise, such assignment to become effective at MMIC's option upon the occurrence of either of the following:

A. Termination of Franchise Agreement. Upon termination or expiration without renewal of the Franchise Agreement, notification by MMIC to Franchisee, in writing, of its intention to assume the Real Estate Lease. Such notice shall be given in the manner prescribed by this Lease Rider Agreement.

B. Termination of Real Estate Lease. Upon termination of the Real Estate Lease as to Franchisee or termination of Franchisee's possession rights under the Real Estate Lease, whether by Franchisee's default under Real Estate Lease or otherwise, MMIC shall have the option to accept the assignment of the Real Estate Lease pursuant to this Lease Rider Agreement by giving the notice prescribed by this Lease Rider Agreement, in which case it is agreed the Real Estate Lease shall remain in effect as to MMIC.

C. Failure to Renew Real Estate Lease. If Franchisee fails to renew the term of the Real Estate Lease or fails to exercise its option to renew the Real Estate Lease for an additional term, MMIC shall have the option to accept assignment of the Real Estate Lease pursuant to this Lease Rider Agreement by giving the notice prescribed by this Lease Rider Agreement. MMIC shall have an additional 30 days to exercise any and all rights under the Real Estate Lease after the effective date of the assignment of the Real Estate Lease under this Lease Rider Agreement.

D. Franchisee Right to Assign. At Franchisee's discretion, Franchisee may assign Real Estate Lease to MMIC, and MMIC may accept such assignment, at any time.

2. Effect of Assignment. Upon MMIC's exercise of its option to take the above-described assignment:

A. The Real Estate Lease shall be terminated as to Franchisee; provided, however that Franchisee shall remain liable for any amounts owing, or any other default occurring, prior to the effective date of assignment.

B. MMIC shall succeed to all of Franchisee's rights, options, and obligations under the Real Estate Lease commencing with the effective date of the assignment and shall have the right to transfer or assign the Real Estate Lease to another franchisee without the need to seek consent from Lessor. MMIC's transfer to another franchisee relieves MMIC from any further liability under the Real Estate Lease.

3. Notice of Franchisee's Default.

A. Lessor's Notice. Lessor shall provide MMIC notice of any default under the Real Estate Lease. MMIC shall have the option (but not obligation) to cure any default should Franchisee fail to cure the default within the period in which Franchisee had to cure the default. At the expiration of Franchisee's period in which Franchisee had to cure any default, MMIC shall then have 15 days in which to make its decision to cure. MMIC may cure Franchisee's default without exercising its option to accept assignment of the Real Estate Lease and, in such event, Lessor agrees to accept MMIC's cure as if made timely by Franchisee. Lessor shall give MMIC written notice at least 30 days prior to the termination of the Real Estate Lease, expiration without renewal, or date of re-entry or repossession. MMIC shall have 30 days after written notice from Lessor to exercise this option to accept assignment of the Real Estate Lease. MMIC may exercise its option to accept assignment of the Real Estate Lease by written notice to Lessor, and the assignment shall be effective upon the termination of the Real Estate Lease as to Franchisee.

B. MMIC's Notice. MMIC shall give Lessor copies of any or all notices of termination given to Franchisee pursuant to the Franchise Agreement, and if MMIC desires to exercise its option to accept the assignment of the Lease in the event of Franchisee's failure to cure the default of the Franchise Agreement, shall provide Lessor with a written notice on or before the date of termination of the Franchise Agreement. It is hereby agreed that Lessor may rely solely upon the written notice received from MMIC as to the termination or expiration without renewal of the Franchise Agreement, and Franchisee hereby releases Lessor from any liability for relying upon such notice and shall hold Lessor harmless from any and all liability to Lessee for any action Lessor may take in such reliance.

4. Notice. Notice required by this Lease Rider Agreement shall be sent by overnight, certified or registered mail to MMIC at the following address:

Real Estate Department
Mongolian Management and Investment Company, L.L.C.
8200 Springwood Drive
Suite #230
Irving, TX 75063-5811
Fax: (____) ____ - ____

with a copy to:

Ryan R. Palmer, Esq.
Lathrop GPM
500 IDS Center
80 South 8th Street
Minneapolis, MN 55402

Notice required by this Lease Rider Agreement shall be sent to Franchisee at the following address:

Notice required by this Lease Rider Agreement shall be sent to Lessor at the following address:

Notice shall be deemed effective on the date received, and regardless of whether the notice is signed for by the recipient, notice shall be deemed received two business days after mailing. Parties may change the notice address by providing written notice to the other parties of a change in such notice address.

5. Execution of the Documents. Franchisee hereby agrees to execute any and all documents requested by MMIC in order to fully exercise any of the rights under the Real Estate Lease or this Lease Rider Agreement. If Franchisee shall not have executed any such document within the three days after having been so requested by MMIC, Franchisee hereby appoints any member or officer of MMIC as its attorney-in-fact with the full right and power to execute any and all such documents.

6. Renewal, Extension, or Amendment. Any renewal or extension of the Real Estate Lease, or any amendment to this Lease Rider Agreement or the Real Estate Lease of any type, can only be made by a writing executed by all three parties to this Lease Rider Agreement.

7. Indemnification. MMIC shall indemnify and hold Franchisee harmless from any and all liability which may accrue after the effective date of the assignment of the Real Estate Lease under the terms of that Lease. Franchisee shall indemnify and hold MMIC harmless from any and all liability that MMIC may incur after the effective date of the assignment of the Real Estate Lease arising under the terms of that Lease from Franchisee's acts or omissions occurring prior to the effective date of the assignment, excluding only any liability prior to the assignment that MMIC agrees in writing to assume and from which MMIC agrees to hold Franchisee harmless.

8. Miscellaneous.

A. Use of Real Estate. Lessor hereby agrees to and acknowledges Franchisee's right to use and display MMIC's Marks as that term is used in the Franchise Agreement, subject only to any limitations imposed by MMIC and any local, state, or federal law. Lessor agrees that it will not limit Franchisee's right to use MMIC's Marks. Lessor further agrees to and acknowledges that the real estate subject to the Real Estate Lease shall be used solely for the operation of a Franchise Unit using MMIC's System. Lessor agrees to notify MMIC in the event that Franchisee begins to use real estate in any other manner and Lessor shall consider such use as an event of default.

B. Applicable Law. This Lease Rider Agreement shall be construed according to the laws of the state in which the premises are located. If any provision, or portion of a provision, of this Lease Rider Agreement is or shall become in conflict with any applicable law, then the applicable law shall govern and such provision or portion of a provision shall be automatically deleted and shall not be effective to the extent that it is not in accordance with applicable law. However, the remaining terms and conditions of this Lease Rider Agreement shall remain in full

force and effect and no provision shall be deemed dependent upon any other provision unless otherwise expressed in this Lease Rider Agreement.

C. Entire Agreement. This Lease Rider Agreement contains all of the terms and conditions agreed upon by the parties, except for: (i) the provisions of the Real Estate Lease which are incorporated herein, and (ii) as between MMIC and Franchisee, the provisions of the Franchise Agreement and related agreements. The parties agree that all representations which have been made by the other parties that in any way are to be given effect herein are set forth in this Lease Rider Agreement and the above-referenced documents.

D. New Real Estate Lease. It is hereby agreed that if the Real Estate Lease is terminated or expires without renewal, and Franchisee and Lessor enter into a new lease arrangement, any such new real estate lease shall be deemed to be the Real Estate Lease for purposes of this Lease Rider Agreement thereby making it fully applicable to the new lease.

E. Option to Purchase. In the event Franchisee purchases the real estate, Franchisee agrees to execute the Real Estate Option to Purchase in the form then prescribed by MMIC.

F. Disputes. Any dispute between the parties regarding the Lease Rider Agreement, and any claim by either party that cannot be amicably settled, shall be determined solely and exclusively by arbitration under the then applicable Commercial Arbitration Rules of the American Arbitration Association consistent with the Franchise Agreement.

This Lease Rider Agreement is executed this day of _____, 20____.

In the presence of:

**MONGOLIAN MANAGEMENT AND INVESTMENT
COMPANY, L.L.C.**

By: _____
Its: _____

FRANCHISEE

By: _____
Its: _____



**MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT G
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 30, 2020**

KANSAS

RCFC of Kansas 882, L.L.C.
11836 West 95th Street
Overland Park, KS 66214
Telephone: (913) 438-4363

BP Group, LLC
111 S Rock Rd
Wichita, KS 67207
Telephone: (316) 202-7326

KENTUCKY

Lexington Mongos, LLC
2309 Sir Barton Way
Lexington, KY 40509
Telephone: (859) 264-0686

MICHIGAN

The Bennett Group, LLC
4205 Miller Road
Flint, MI 48507
Telephone: (810) 732-1132

MISSOURI

RCFC of Missouri 882, LLC
19750 East Valley View Parkway
Independence, MO 64057
Telephone: (816) 795-5430

OHIO

Spartan Mongo V, Inc.
488 Glengarry Drive
Beavercreek, OH 45440
Telephone: (937) 427-1900

Spartan Stir Fry, Inc.
1854 Coventry Road
Cleveland Heights, OH 44118
Telephone: (216) 932-1185

Spartan Mongo III, Inc.
295 Marconi Boulevard
Columbus, OH 43215
Telephone: (614) 586-0077

SSF II, Inc.
295 Marconi Boulevard
Columbus, OH 43215
Telephone: (614) 586-0077

Spartan Mongo IV, Inc.
3977 Worth Avenue
Columbus, OH 43219
Telephone: (614) 471-1000

Spartan Mongo VI, Inc.
5005 Monroe Street, Space R1
Toledo, OH 43623
Telephone: (419) 724-2900

*None of the above franchisees are also area developers.



**MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT**

EXHIBIT H

LIST OF FRANCHISES NOT YET OPERATIONAL AS OF DECEMBER 30, 2020

None.



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT I
LIST OF FRANCHISEES TERMINATED, CANCELLED
OR NOT RENEWED DURING 2020

The following is the contact information for the former franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the disclosure document issuance date:

None.

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



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT J
TELEPHONE NUMBER ASSIGNMENT

TELEPHONE NUMBER ASSIGNMENT

THIS TELEPHONE NUMBER ASSIGNMENT (this "Agreement") is made and entered into by and between Mongolian Management and Investment Company, L.L.C. ("MMIC") located at 8200 Springwood Drive, Suite #230, Irving, Texas 75063-5811, and _____ located at _____, (hereinafter referred to as "Franchisee").

WHEREAS, Franchisee has obtained a franchise from MMIC for the operation of a franchised "bd's Mongolian Grill®" Restaurant ("Restaurant") using MMIC's Marks and System as those terms are used in a Franchise Agreement, dated the ____ day of _____, 20____ (hereinafter referred to as the "Franchise Agreement");

WHEREAS, in consideration of MMIC granting the franchise for the Restaurant to Franchisee, Franchisee agreed in the Franchise Agreement to execute an assignment to MMIC of its telephone number upon the termination or expiration without renewal of the Franchise Agreement, or transfer of the Franchise Agreement;

NOW THEREFORE, it is hereby agreed as follows:

1. Telephone Information.

Franchisee represents and warrants that the telephone number(s) set forth in the attached Exhibit A, as amended from time to time, shall constitute all of the telephone numbers to be used in its advertising and marketing of its Restaurant licensed by the above-referenced Franchise Agreement. It is hereby agreed that this Agreement covers not only the telephone numbers set forth in Exhibit A, but also any other telephone number used by Franchisee in the advertising or marketing of its Restaurant.

2. Assignment.

Franchisee hereby assigns to MMIC all of its right, title, and interest in and to the telephone numbers described above in Paragraph 1 of this Agreement, effective upon the expiration without renewal or termination of the Franchise Agreement.

3. Consent.

Franchisee hereby consents and authorizes any and all telephone companies, telephone directory services, and other public or private business containing, using, or authorizing any of the telephone numbers described above in Paragraph 1 to immediately recognize the assignment of the telephone numbers pursuant to this Agreement upon receipt of written notice from MMIC. Such companies and services shall construe this Agreement as Franchisee's immediate cancellation and surrender of the telephone numbers in Exhibit A, thereby permitting the immediate re-assignment of the numbers by said companies and services to MMIC. A copy of this Agreement, certified by an officer of MMIC, is agreed to be as valid and binding as the original.

4. Notice.

MMIC shall give notice of its acceptance of the assignment of the telephone numbers pursuant to this Agreement by either delivering them personally or sending them by first class, certified or registered mail with postage fully paid and depositing them in a depository of the United States Postal Service. Notices shall be given to Franchisee and to all other telephone

companies and other businesses that are to recognize the assignment. All notices to Franchisee shall be addressed to the address indicated in this Agreement, or to any subsequent address of which MMIC is notified of in writing. Any notice delivered by mail in the manner set forth above shall be deemed delivered and received two (2) days after mailing.

5. Cooperation.

Franchisee shall cooperate with MMIC, including but not limited to, executing any and all documents reasonably necessary to effectuate this Agreement, and to cause the telephone company or companies to recognize this Agreement.

6. Proration.

All telephone charges, including charges for classified advertising in the telephone directory, shall be prorated as of the time of the assignment, with Franchisee paying for all charges prior to the effectiveness of the assignment, and MMIC paying for all charges incurred thereafter.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the ____ day of _____, 20__.

MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.

By:

Its: _____

FRANCHISEE

By: _____

Its: _____



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT K
FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

As you know, Mongolian Management and Investment Company, L.L.C. (the “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a franchised bd’s Mongolian Grill® Restaurant (the “Franchise”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

QUESTION	YES	NO
1. Have you received and personally reviewed the Franchisor’s Franchise Disclosure Document (the “Disclosure Document”) provided to you?		
2. Did you sign a receipt for the Disclosure Document indicating the date you received it?		
3. Do you understand all of the information contained in the Disclosure Document?		
4. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5. Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: _____		
6. Do you understand the terms of and your obligations under the Franchise Agreement?		
7. Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8. Do you understand the risks associated with operating the Franchise?		
9. Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10. Do you understand that this franchise business may be impacted by other risks, including those outside your or our control such as economic, political or social disruption, including COVID-19? In addition, do you understand that the COVID-19 outbreak and any preventative or protective actions that federal, state, and local governments may take in response to this pandemic may result in a period of business disruption, reduced customer demand, and reduced operations for bd’s Mongolian Grill® businesses? Do you further understand that the extent to which the coronavirus impacts the bd’s Mongolian Grill® system will depend on future developments which are highly uncertain and which we cannot predict?		
11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		

QUESTION	YES	NO
12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the Disclosure Document?		
13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
15. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		

If you answered "Yes" to any of questions ten (11) through fourteen (15), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. All representations requiring you 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.

FRANCHISE APPLICANT

FRANCHISE APPLICANT

Dated: _____, 20____

Dated: _____, 20____



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT L
STATE AGENCY EXHIBIT

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705



MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
EXHIBIT M
SAMPLE RELEASE

MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.

SAMPLE RELEASE

Unless precluded by applicable state law, if you renew or sell, assign or transfer your Franchise Agreement, you will sign a joint and mutual release containing language substantially similar to the following:

1. Release of Franchisor by Franchisee. For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the renewal/assignment of the Franchise Agreement, the Franchisee and its affiliates hereby release and forever discharge the Franchisor and its current and former affiliates from any and all claims which the Franchisee and its affiliates have had or now have or may in the future have against the Franchisor and its current and former affiliates or any of them, for, upon or by reason of any matter, fact or thing whatsoever from the beginning of time through and including the date of this Joint and Mutual Release including, but not limited to, any alleged violations of the Federal Trade Commission’s Trade Regulation Rule relating to Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, “mini” FTC laws, deceptive or unfair trade practices laws, franchise laws or securities laws, and all other local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged breaches or violations of the Franchise Agreement and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its affiliates and any of them; provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release.

2. Release of Franchisee by Franchisor. For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the renewal/assignment of the Franchise Agreement, the Franchisor and its affiliates hereby release and forever discharge the Franchisee and its affiliates from any and all claims which the Franchisor and its affiliates have had or now have against the Franchisee and its affiliates for, upon or by reason of any matter, fact or thing whatsoever from the beginning of time through, up to and including the date of this Joint and Mutual Release including, but not limited to, any local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement, and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its affiliates and any of them; provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release.

“Franchisee”

By _____

Its _____

“Franchisor”

**Mongolian Management and Investment
Company, L.L.C.**

By _____

Its _____

The above language may be modified or supplemented to address issues specific to the renewal or transfer of your Franchise Agreement, or to comply with applicable law (see the Addendum for State-Specific Amendments to the Franchise Disclosure Document).



**MONGOLIAN MANAGEMENT AND INVESTMENT COMPANY, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT**

STATE EFFECTIVE DATES & RECEIPTS

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

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

State	Effective Date
Illinois	
Indiana	
Michigan	
Minnesota	
North Dakota	
South Dakota	
Wisconsin	

RECEIPT
(Your Copy)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document carefully.

If we offer you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency identified in the State Agency Exhibit.

The name, principal business address and telephone number of each franchise seller offering the franchise: Ken Leetch and/or _____, Mongolian Management and Investment Company, L.L.C., 8200 Springwood Drive, Suite #230, Irving, TX 75063-5811, (214) 744-4240.

Issuance Date: August 16, 2021

See Exhibit L for our registered agents authorized to receive service of process.

I have received a Disclosure Document, dated August 16, 2021, that included the following Exhibits: State-Specific Addenda to Franchise Disclosure Document; Exhibit A - Financial Statements; Exhibit B - Franchise Agreement, including State Specific Addenda; Exhibit C - Area Development Agreement, including State Specific Addenda; Exhibit D - Confidentiality and Nondisclosure Agreement and Covenant Not to Compete; Exhibit E - Real Estate Option to Purchase Agreement; Exhibit F - Real Estate Lease Rider, Exhibit G - List of Current Franchises as of December 30, 2020; Exhibit H - List of Franchises Not Yet Operational as of December 30, 2020; Exhibit I - List of Franchisees Terminated, Cancelled or Not Renewed During 2020; Exhibit J - Telephone Number Assignment; Exhibit K - Franchisee Questionnaire; Exhibit L - State Agency Exhibit; and Exhibit M - Sample Release.

Date Signature Printed Name

Date Signature Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT
(Our Copy)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document carefully.

If we offer you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency identified in the State Agency Exhibit.

The name, principal business address and telephone number of each franchise seller offering the franchise: Ken Leetch and/or _____, Mongolian Management and Investment Company, L.L.C., 8200 Springwood Drive, Suite #230, Irving, TX 75063-5811, (214) 744-4240.

Issuance Date: August 16, 2021

See Exhibit L for our registered agents authorized to receive service of process.

I have received a Disclosure Document, dated August 16, 2021, that included the following Exhibits: State-Specific Addenda to Franchise Disclosure Document; Exhibit A - Financial Statements; Exhibit B - Franchise Agreement, including State Specific Addenda; Exhibit C - Area Development Agreement, including State Specific Addenda; Exhibit D - Confidentiality and Nondisclosure Agreement and Covenant Not to Compete; Exhibit E - Real Estate Option to Purchase Agreement; Exhibit F - Real Estate Lease Rider, Exhibit G - List of Current Franchises as of December 30, 2020; Exhibit H - List of Franchises Not Yet Operational as of December 30, 2020; Exhibit I - List of Franchisees Terminated, Cancelled or Not Renewed During 2020; Exhibit J - Telephone Number Assignment; Exhibit K - Franchisee Questionnaire; Exhibit L - State Agency Exhibit; and Exhibit M - Sample Release.

Date Signature Printed Name

Date Signature Printed Name

Please sign this copy of the receipt, date your signature and return it to Mongolian Management and Investment Company, L.L.C., 8200 Springwood Drive, Suite #230, Irving, TX 75063-5811 or to kleetch@gomongo.com.