FRANCHISE DISCLOSURE DOCUMENT



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BBDI LLC grants franchises for the operation of family-style restaurants which offer signature entrees featuring huge portions under the name Black Bear Diner.®

The total investment necessary to begin operation of a single Black Bear Diner restaurant is $1,495,700 to $2,238,600. This includes $55,000 to $155,000 which must be paid to us. We also offer an opportunity to operate multiple Black Bear Diner restaurants under an Area Development Agreement. The estimated initial investment to operate as an Area Developer ranges from $1,625,200 to $2,368,100 for the rights to develop and operate five Black Bear Diner restaurants. This includes a Franchise Fee of $55,000 and a Development Fee of $74,500 which must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact BBDI LLC, attn: Chad Corrigan, 280 Hemsted Drive, Suite 200, Redding, California 96002, (530) 243-2327.

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

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

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

The Issuance Date of this Franchise Disclosure Document is: March 31, 2026

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
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 E 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 Black Bear Diner 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 Black Bear Diner franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

2. **Spousal Liability**. Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

THE FOLLOWING APPLIES ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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

A prohibition of the right of Franchisee to join an association of franchisees.

A requirement that a Franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a Franchisee of rights and protections provided under Michigan law. This shall not preclude a Franchisee, after entering into a Franchise Agreement, from settling any and all claims.

A provision that permits a Franchisor to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the Franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.

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.

A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Franchisee from entering into an agreement, at the time of arbitration or litigation, to conduct arbitration or litigation at a location outside this state.

A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- The failure of the proposed transferee to meet the Franchisor's then-current reasonable qualifications or standards.
- The fact that the proposed transferee is a competitor of the Franchisor or Subfranchisor.

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

- 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.

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

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 a provision has been made for providing the required contractual services.

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

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

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
670 Law Building
Lansing, MI 48913
(517) 373-3800

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

The Franchisor, and Any Parents, Predecessors and Affiliates

To simplify the language in this disclosure document "we," "us," or "our" means BBDI LLC, the franchisor. The word "you" means the person to whom we grant the franchise and includes all owners and partners, if franchisee is a corporation, limited liability company, partnership or other entity. Our principal business address is 280 Hemsted Drive, Suite 200, Redding, California 96002. We do business only under our company name, the name "Black Bear Diner" and other trademarks described in Item 13 (the "Marks"). We do not offer and have not previously offered franchises in any other line of business and are not engaged in any other business activities. Except through our affiliate (described below), we do not operate any Black Bear Diner restaurants. As of December 31, 2025, there were 97 franchised Black Bear Diner restaurants in operation. Our agents for service of process are included in Exhibit A to this disclosure document.

Black Bear Diners, Inc. ("BBD INC") may be considered a predecessor for purposes of certain disclosures in this disclosure document. BBD INC was a California corporation formed on December 21, 2001 and maintained its principal business address at 1880 Shasta Street, Redding, California 96001. From May 2002 until February 2016, BBD INC offered franchises for Black Bear Diner restaurants. In February 2016, BBD INC was converted, under California law, to BBDI LLC, a California limited liability company, as part of an overall transaction designed to consolidate affiliated entities, reorganize affiliate-owned restaurants, admit new equity owners and enter into a new credit facility. On February 12, 2016, a Membership Interest Purchase Agreement was entered into in furtherance of this transaction. Upon completion of the transaction, BBD Opco LLC ("BBD OPCO") became the sole member of BBDI LLC. BBD OPCO's sole member is BBD Intermediate Holdco LLC ("BBD INTERMEDIATE"), whose sole member is BBD Holdco LLC ("BBD HOLDCO"). BBD OPCO, BBD INTERMEDIATE and BBD HOLDCO were each formed in Delaware as a limited liability company on January 11, 2016 and each maintains its principal business address at 280 Hemsted Drive, Suite 200, Redding, California 96002.

Our affiliate required to be disclosed in this disclosure document is Bear Tracks Holdings LLC ("Bear Tracks Holdings"). Bear Tracks Holdings is a California limited liability company that was originally formed as Bear Tracks, Inc, a California corporation, on March 13, 2009. On February 04, 2016, Bear Tracks, Inc was converted, under California law, to Bear Tracks Holdings as part of the transaction described above. Bear Tracks Holdings maintains its principal business address at 280 Hemsted Drive, Suite 200, Redding, California 96002. Bear Tracks Holdings owns and operates 65 Black Bear Diner restaurants that are similar to the franchises we offer. Bear Tracks Holdings does not offer and has not previously offered franchises in this or any other line of business. Bear Tracks Holdings does not currently provide any products or services to our franchisees but may do so in the future.

The Franchise Programs

Single Unit. We grant franchises to individuals or entities for the operation of a single Black Bear Diner restaurant in accordance with our "System" under the terms of our Franchise Agreement attached to this disclosure document as Exhibit B. We refer to the restaurant that you and other franchisees will operate as a "Franchised Restaurant." A Black Bear Diner restaurant is a casual, family-style restaurant which offers huge portions at an affordable price along with a high perceived value. A Black Bear Diner restaurant is typically located in a free-standing, one-story building with surrounding parking. In many instances a prospective franchisee will be able to remodel and convert an existing building or former restaurant for the operation of a Black Bear

Diner restaurant. A franchisee may also elect to construct a new facility or utilize an end cap within a strip center for the operation of a Black Bear Diner restaurant.

Within your Black Bear Diner restaurant, you will operate a gift shop known as a "Black Bear Diner Gift Shop" of approximately 35 to 100 square feet depending upon the overall size of the Franchised Restaurant. Generally, we follow a common theme such that all products offered for sale in the Black Bear Diner Gift Shop either feature or are in some way connected to the black bear concept. Many of the items offered in the Gift Shop feature our Marks ("Trademarked Products") while others follow and capitalize on the bear theme.

All Black Bear Diner restaurants are identified by way of a distinctive trade dress which includes a rustic exterior and interior appearance, interior decorations featuring the black bear theme along with certain designs, carvings and color schemes and exclusive exterior signage. Black Bear Diner restaurants also follow certain operating procedures, techniques, and standards which are referred to as the "Bear Necessities Quality Control Program."

Area Development Agreement. In addition to awarding franchises for a single Black Bear Diner restaurant, we also grant qualified franchisees the option and right to develop multiple Franchised Restaurant(s) within a specific geographic area ("Development Area") over a specific time period according to a pre-determined development schedule. These franchisees will sign our Area Development Agreement in the form attached as Exhibit C to this disclosure document. Under the Area Development Agreement, you will sign a separate Franchise Agreement for each Franchised Restaurant you establish. The Franchise Agreement you sign will be the then-current form of Franchise Agreement we are offering to new franchisees. The size of the Development Area will vary depending upon local market conditions and the number of Franchised Restaurants to be developed.

From March 2012 to March 2018, we offered to certain qualified existing Black Bear Diner franchisees an option to develop and operate one additional Black Bear Diner restaurant in a specific territory under the terms of an Option Agreement. Currently, we do not intend to offer any additional Option Agreements.

General Description of the Market and Competition

We are one of many franchisors in this highly competitive industry. Fluctuations in taste and habits of the public, local and national economic conditions, population density, and general traffic patterns affect the restaurant industry and are generally difficult to predict. You will face competition from other restaurants offering similar and dissimilar menu items. In some instances, you may also encounter competition from other Black Bear Diner restaurants operated by us or other franchisees. Competition for management and other operating personnel is intense within the industry. Sales generally are seasonally affected and may be lower during winter months or in certain areas (for example, vacation resort areas) may be affected by seasonal population. Given the nature of the restaurant industry, we prefer that a prospective franchisee have prior restaurant management experience.

Regulations Specific to the Food Service Industry

The restaurant and foodservice industry is heavily regulated in the United States by federal, state, and local governments.

The Affordable Care Act of 2010 and regulations issued by the U.S. Food and Drug Administration (the so-called "menu labeling rule") require covered retail foodservice

establishments, including those that are part of a chain of 20 or more units, to disclose to consumers, on menu boards, online ordering platforms, and otherwise, certain nutritional information regarding menu items.

Other laws have particular applicability to restaurants and other retail foodservice establishments, including food safety and health and sanitation laws and liquor license laws, liquor liability, and dram shop laws (if alcoholic beverages are offered or sold on the premises). Many states and municipalities also require specific licensure or training in sanitation and safety laws before permitting a restaurant to serve the public.

To operate the Black Bear Diner restaurant, you may also need to obtain a liquor license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor, and its consumption. You will need to understand and comply with those laws in operating the Black Bear Diner restaurant.

Recently, some cities have enacted laws that impose specific burdens targeted on restaurants and other retail foodservice establishments that serve foods or beverages that are high in sugar and/or salt. Such cities may require restaurants operating in their jurisdiction to pay additional taxes on the sale of sugar sweetened beverages and/or may require restaurants or other retail foodservice establishments to warn consumers of high-sodium menu items.

Some states and cities also require that restaurants and other retail food establishments provide information to consumers about food allergens.

Many states and cities also regulate foodware and foodservice packaging items. Some cities ban plastic straws and other single-use items. Some states also now require a certain amount of post-consumer recycled content or restrict or prohibit the use of certain types of Styrofoam and plastic. Additionally, state extended producer responsibility laws could ultimately place reporting and other obligations on restaurant chains that distribute branded items.

The Food and Drug Administration finalized a rule in late 2022 that would impose traceability requirements on a wide range of food establishments, including some restaurants. The rule was originally set to go into effect on January 1, 2026. However, the FDA delayed enforcement of the rule until July 20, 2028. As currently drafted, the rule would impose significant recordkeeping requirements on regulated entities, and such entities will need to train employees to understand how to comply with the new requirements.

Some states also have extended producer responsibility (EPR) laws in place that encompass food service ware and/or food packaging materials. Franchisees and licensees may be responsible for payments due to fees and other costs that we or our affiliates incur directly or indirectly in connection with these laws, either on behalf of franchisees, licensees, or other entities. There are also reporting obligations and other obligations imposed by EPR laws that may impact franchisees and licensees. Additionally, as part of an EPR law, a companion law, or a separate law, some states now impose, or may in the future impose, other obligations in connection with food service ware and/or food packaging materials, including, but not limited to, recyclability, composability, and/or minimum post-consumer recycled content requirements that may impact franchisees and licensees.

To operate the Black Bear Diner restaurant, you will need to determine and understand the laws that apply in your geographic area and then implement compliance procedures, as needed, to ensure your Black Bear Diner restaurant's full compliance with applicable laws and regulations.

Many of the laws that apply to business generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupation, Health and Safety Act, also apply to restaurants and other retail foodservice establishments.

Your development and operation of the Black Bear Diner restaurant will also be subject to compliance with applicable zoning, land use and environmental regulations as well as federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits and other employee matters. It is likely that a significant number of your Black Bear Diner restaurant's food service and preparation personnel will be paid at rates related to the federal minimum wage and, accordingly, further increases in the federal, state or local minimum wage will affect your labor costs.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards that limit emissions of ozone, carbon monoxide and particulate matters, including emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

We recommend that you check with your state and local agencies to determine which laws apply to the operation of a Black Bear Diner restaurant in your area. You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2
BUSINESS EXPERIENCE

Executive Chairman of Board of Managers: Bruce Dean

Mr. Dean has served as our Chairman of Board of Managers since January 2020. Prior to that, Mr. Dean served as our Chief Executive Officer from February 2016 until January 2020 and as President and Chief Executive Officer from February 2016 until March 2019. From 2001 until February 2016, Mr. Dean served in numerous positions with BBD INC including President, Co-President and Vice President. In addition, Mr. Dean has served as Chairman of the Board of Managers for BBD HOLDCO since February 2016.

Chief Executive Officer: Anita K. Adams

Ms. Adams has served as our Chief Executive Officer since January 2020. Prior to that, she served as our President and Chief Financial Officer from March 2019 until January 2020 and as our Chief Financial Officer from March 2017 until March 2019.

Chief Operating Officer: Art Kilmer

Mr. Kilmer has served as our Chief Operating Officer since August of 2024. Prior to that from November 2017 until March of 2024 , he served as the Chief Operating Officer of P.F.Chang's China Bistro of Scottsdale AZ.

Chief Financial Officer: Steve Sparks

Mr. Sparks has served as our Chief Financial Officer since September 2019. From June 2019 until September 2019, he was considering career options. Before that from May 2012 until June 2019, Mr. Sparks held several positions with ABRH, LLC located in Nashville, Tennessee including Chief Financial Officer (September 2017 until June 2019); VP, Finance (November 2015

until September 2017) and Sr. Director, Financial Planning & Analysis (May 2012 until November 2015).

VP of Franchise Sales and Development: Chad Corrigan

Mr. Corrigan has served as our VP of Franchise Sales and Development since May 2021. From May 2019 through April 2021, he served as VP of Real Estate and Franchise Development for Restaurant Growth Services, LLC in Nashville, Tennessee. From September 2016 until May 2019, he was Director, Franchise Sales and Real Estate for American Blue Ribbon Holdings LLC in Denver, Colorado.

VP of Training & Development: Camille Chavez

Ms. Chavez has served as VP of Training & Development since October 2019. From January 2008 through September 2019, Ms. Chavez served as Director of Training for Farmer Boys Foods, Inc in Riverside, California.

Other Individuals With Management Responsibility

In addition to our officers, the following individuals have management responsibility relating to the sale or operation of franchises offered by this disclosure document:

Robert P. Manley

Mr. Manley has served as a member of the Board of Managers of BBD HOLDCO since February 2016. Previously from 2001 until January 2016, Mr. Manley was a Director and the Chairman of the Board of Directors with BBD INC and also served as its President and Co-President.

Gilbert L. (”Chip”) Baird III

Mr. Baird has served as a member of the Board of Managers of BBD HOLDCO since February 2016. In June 2020, Mr. Baird Co-Founded and has since been a Managing Partner at GreyLion Capital LP (a middle market private equity firm spun out of Perella Weinberg Partners) based in New York, New York. Prior to that, he had been a Partner at Perella Weinberg Partners Capital Management LP, a financial services and private equity firm based in New York, New York from February 2012 through June 2020.

David L. Ferguson

Mr. Ferguson has served as a member of the Board of Managers of BBD HOLDCO since February 2016. In June 2020, Mr. Ferguson Co-Founded and has since been a Managing Partner at GreyLion Capital LP located in New York, New York. Prior to that, he had been a Partner at Perella Weinberg Partners Capital Management LP from February 2012 through June 2020.

Henry Heinerscheid

Mr. Heinerscheid has served as a member of the Board of Managers of BBD HOLDCO since February 2016. Since June 2020 he has also been a Partner at GreyLion Capital LP located in New York, New York. Prior to that, he had been a Director and Managing Director at Perella

Weinberg Partners Capital Management LP based in New York, New York from August 2013 through June 2020.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item. See Exhibit I for additional California-specific disclosures.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Agreement. The initial Franchise Fee for your first Black Bear Diner restaurant is $55,000. If you already operate one or more existing Black Bear Diner restaurants, the initial Franchise Fee for your Black Bear Diner restaurant will be based on the following schedule.

Number of Franchised Restaurant	Franchise Fee
1-2	$55,000
3	$50,000
4-7	$32,000
8+	$24,000

The Franchise Fee is paid to us in a lump sum at the time of signing the Franchise Agreement and is deemed to be fully earned upon receipt and is generally non-refundable. The Franchise Fee is uniform for all franchisees except if you develop multiple Franchised Restaurants under an Area Development Agreement described below. For our most recent fiscal year ended December 31, 2025, the initial Franchise Fee ranged from $24,000 to $55,000. The Franchise Fee is used to compensate us for training and other preopening obligations and is non-refundable under any circumstances.

Area Development Agreement. Under the Area Development Agreement, you are required to execute one Franchise Agreement and pay the Franchise Fee for the first Franchised Restaurant simultaneously with the execution of the Area Development Agreement. Under the terms of the Area Development Agreement, the Franchise Fee for each Franchised Restaurant is based on the number of Black Bear Diner restaurants you agree to develop according to the following schedule:

Number of Franchised Restaurants to be Developed	Franchise Fee	Development Fee
1	$55,000	
2	$45,000	$22,500
3	$40,000	$20,000
4-7	$32,000	$16,000
8+	$24,000	$12,000

You must pay a Development Fee equal to 50% of the initial Franchise Fee for each of the Franchised Restaurants you agree to develop after the first one. We and you will agree on the number of Franchised Restaurants to be developed before you sign the Development Agreement. In addition, the Development Agreement will contain a minimum "Development Schedule" which will specify when each of the Franchised Restaurants must be operational. For example, if you agree to develop 5 Franchised Restaurants within a specified Development Territory, you will sign a single Franchise Agreement and pay an initial Franchise Fee of $55,000 for the first Franchised Restaurant and sign a Development Agreement for the remaining 4 Franchised Restaurants. The Development Fee will be equal to 50% of the Franchise Fee for each Franchised Restaurant to be developed and as a result the total amount of the Development Fee would be $74,500 ($22,500+$20,000+$16,000+$16,000) for the four Franchised Restaurants to be developed. When you execute a Franchise Agreement for the second and each subsequent Franchised Restaurant, you will pay the Franchise Fee as stated in the chart above; however, you will receive a credit in the amount of the Development Fee you paid per Franchised Restaurant under the Development Agreement. As a result, your balance due at the time you execute each Franchise Agreement will be 50% of the Franchise Fee. The Development Fee is fully earned by us when paid, even if you do not fulfill your obligations under that agreement, and is not refundable under any circumstances.

ITEM 6
OTHER FEES

Type of Fee[(1)]	Amount	Due Date	Remarks
Royalty	4.5% of Gross Sales[(2)]	Weekly	Amounts due will be withdrawn by electronic funds transfer ("EFT") or other methods we periodically specify
Marketing Fund Contribution	1% of Gross Sales	Weekly	We have the right to increase this amount to 3% upon 30 days' notice to you
Local Advertising	1% of Gross Sales	Monthly	You pay directly subject to our approval. Payable to suppliers of advertising services. Within 30 days after the end of each month, you must provide us with an

Type of Fee[1]	Amount	Due Date	Remarks
			accounting of your expenditures in a form prescribed by us.
Grand Opening Advertising	$5,500	Between 1 week prior to opening and 8 weeks after opening	You must perform a grand opening of your Franchised Restaurant at time of beginning operations or if you relocate. You pay directly subject to our approval. Payable to suppliers of advertising.
Renewal Fee	$5,000	Upon signing renewal documents	Payable if you and we elect to renew and enter into a Renewal Franchise Agreement
Audit Expenses	Cost of audit plus interest	As invoiced	Payable only if the audit shows an understatement in amounts due of at least 3%
Late Payment Interest	18% of the overdue amount, calculated daily, or the maximum rate permitted by law, whichever is less	After due date	Applies to all Royalty Fees, Advertising Fund Contributions and amounts due for purchases from us or an affiliate of ours.
Black Bear Diner Gift Shop Purchases	Will vary under circumstances	As required	You must purchase these products from our approved or designated suppliers in order to meet anticipated customer demand. We may purchase and resell certain items to you at our cost.
Merchant and Gift Card Processing Fees	Approximately $75 per month plus transaction fee ranging from approximately 4.7-6%.	Monthly	This fee is imposed by us but currently payable to an approved third party supplier of processing services.
Waitlist Management System	Approximately $25-$60 per month	Monthly	This fee is imposed by us but currently payable to an approved third party supplier of waitlist and queue management services.
Olo® online digital ordering and delivery services	Approximately $100 - $1,500 per month depending on the volume of online ordering. Total Fee consists of various fees related to basic service, catering, packaging, delivery.	Monthly	We require you to use an approved online ordering, currently OLO, and an approved delivery service. Costs vary depending on the service selected and your anticipated monthly online orders. Fees for the OLO software platform are currently payable directly to us and we remit it to the service provider.

Type of Fee[1]	Amount	Due Date	Remarks
Software License Fees	Approximately $250 - $1,100 depending on the modules you select	Monthly	You are currently required to license and use software including Ctuit®, Toast® POS, (or in some approved cases Aloha® POS), QSR Automations®, Connected Payments®, and Playerlync® software in the operation of your Restaurant. The license fees are payable to us and we remit it to the software licensor. See Items 8 and 11 for additional information.
Suppliers' Approval	Reasonable cost of evaluation and actual cost of test not to exceed $1,000	Time of inspection	Applies to costs in connection with evaluating a supplier or testing a product at your request.
Reimbursement of Amounts Paid on Your Behalf	Our costs	Within 15 days after billing	Payable only if you are required to reimburse us for amounts paid on your behalf
Transfer Fee	$10,000	Before transfer	This transfer fee does not apply to a transfer to an entity you own or control
Ongoing Training	You are required to pay your expenses as well as your employees' expenses in attending training	Prior to training	Attendance will not be required more than 2 times per year and will not last more than 2 days per session
Substitute General Manager Training	$3,000	At Time of Scheduling	If you hire a substitute General Manager, they must attend and satisfactorily complete the Initial Training Program.
Food Safety & Sanitation Inspections	Our expenses in connection with each inspection of you Franchised Restaurant which are currently approximately $300 per inspection	Upon Demand	We use a third party to perform food safety and sanitation inspections. Currently, there are three inspections per year. You must reimburse us for the costs of the inspections and any follow-up inspections resulting from a failed inspection.
Reschedule of Scheduled Opening Date	Our actual costs of rescheduling which are estimated to range	At Time of Rescheduling	If your opening is rescheduled, you will pay all costs associated with rescheduling the team providing opening guidance and assistance described in Item 11 including

Type of Fee[1]	Amount	Due Date	Remarks
	from $4,500 to $8,000		airfare, lodging and related travel charges.
Failure to Attend Franchisee Convention	$2,500	Same as Royalty Fee	You are only required to pay this fee if you or your General Manager (or approved substitute) does not attend the Franchisee Convention.
Failure to Attend General Manager Annual Training Meeting	$1,500	Same as Royalty Fee	You are only required to pay this fee if your managerial employees do not attend the General Manager Annual Training Meeting.
Damages, Costs and Attorneys' Fees	Will vary under circumstances	As incurred	You will pay us all damages (including lost future profits) and reimburse us for all costs if you fail to comply with the Franchise Agreement or any other agreement and/or if the Franchise Agreement is terminated for cause due to such failure to comply
Indemnification	Will vary under circumstances	As incurred	You defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Restaurant.

Explanatory Notes:

1. Unless stated otherwise, all fees are imposed and collected by and payable to us. No fees are refundable. Existing franchisees may have fees that differ from those stated in the table above.

2. "Gross Sales" means the total amount of all revenues that you receive from the sale of all menu items, Gift Shop Products, banquet and catering services and from goods and services from all sources in any way connected with the Franchised Restaurant whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance less sales tax collected from customers and paid to the appropriate taxing authorities, discounts deducted from the prices charged and the price of employees' meals actually reported and paid.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT
(FRANCHISE AGREEMENT)

Type of Expenditure[(1)]	Amount	Method of Payment	When Due	To Whom Paid
Franchise Fee[(2)]	$24,000 to $55,000	Lump Sum	At Signing of Franchise Agreement	Us
First Month's Rent[(3)]	$9,000 to $20,000	As Arranged	As Arranged	Landlord
Security Deposits[(4)]	$7,500 to $23,000	As Arranged	As Arranged	Landlord, Utilities
Leasehold Improvements[(5)]	$635,200 to $989,000	As Arranged	As Arranged	Third Parties
Furniture, Fixtures & Equipment[(6)]	$82,100 to $96,600	As Arranged	As Arranged	Third Parties
Kitchen Equipment[(7)]	$450,000 to 487,100	As Arranged	As Arranged	Third Parties
Décor Package[(8)]	$28,100 to $34,900	As Arranged	As Arranged	Third Parties
Carved Bear Package[(9)]	$35,500 to $41,800	As Arranged	As Arranged	Third Parties
Initial Inventory – Food & Paper[(10)]	$14,000 to $20,000	As Arranged	As Arranged	Third Parties
Initial Inventory – Gift Shop Products[(11)]	$2,000 to $5,000	As Arranged	As Arranged	Third Parties
Insurance[(12)]	$7,000 to $20,000	As Arranged	As Arranged	Third Parties
Signage[(13)]	$25,300 to $33,900	As Arranged	As Arranged	Third Parties
Office Equipment and Supplies[(14)]	$1,800 to $2,200	As Arranged	As Arranged	Third Parties
Computer System[(15)]	$45,000 to $85,000	As Arranged	As Arranged	Third Parties
Grand Opening Advertising[(16)]	$5,500 to $12,000	As Arranged	First Three Months of Operation	Third Parties
Training Expenses[(17)]	$44,000 to $85,000	As Arranged	As Arranged	Third Parties
Licenses & Permits[(18)]	$7,000 to $20,000	As Arranged	As Arranged	Third Parties
Professional Fees[(19)]	$20,000 to $65,000	As Arranged	As Arranged	Third Parties

Type of Expenditure[(1)]	Amount	Method of Payment	When Due	To Whom Paid
Additional Funds-3 months[(20)]	$100,000 to $150,000	As Arranged	As Arranged	You Determine
TOTAL[(21)]	**$1,495,700 to $2,238,600**			

EXPLANATORY NOTES:

1. Type of Expenditure. In general, except for security deposits, all payments are non-refundable including the Franchise Fee. The Franchise Fee is partially refundable under certain circumstances as described in Item 5. We do not finance any portion of your initial investment.

2. Franchise Fee. The Franchise Fee is described in greater detail in Item 5.

3. First Month's Rent. You must provide a suitable site from which to operate your Franchised Restaurant. Normally, a site is obtained on a leasehold basis. This estimate is based on one month's rent for a space of approximately 4,500 to 6,000 square feet. There may be other lease acquisition costs such as prepaid rent and security deposits. It is extremely difficult to estimate lease costs because of the wide variation in costs between locations.

4. Security Deposits. Security deposits generally are required by the utility companies, the landlord and any equipment lessors you may elect to use. Amounts will vary depending on the requirements under the various leases, utilities' policies and your credit rating. Included is one month's rent for a security deposit in connection with your lease and utilities.

5. Leasehold Improvements. The structure must be renovated according to our standards and specifications for furnishings and décor. The cost of the improvements will vary based upon size, condition and location of the premises, local wage rates and material costs. The low range assumes you obtain space that is already configured for a restaurant and that needs minimal buildout. The high range assumes that you must construct the interior from an empty shell space. Your costs will most likely be significantly higher if you elect new construction.

6. Furniture, Fixtures & Equipment. You must buy or lease certain equipment and related services including serving equipment, a cash register/point-of-sale system, point-of-sale materials, a digital jukebox for use as a sound system, miscellaneous small wares, and signage. The Franchised Restaurant's equipment package will depend on the presence of existing food service facilities, square footage and anticipated volumes.

7. Kitchen Equipment. In addition to the equipment mentioned above, you must buy or lease certain kitchen equipment including an oven, fryer, refrigerator and freezer. We will provide you with a detailed list of kitchen equipment for operating your Franchised Restaurant. The cost of the kitchen equipment will vary depending upon the square footage, configuration, availability of used equipment and anticipated volumes.

8. Décor Package. In remodeling the site for your Franchised Restaurant you will utilize a Décor Package which is also described in Items 5, 8 and Exhibit B to the Franchise Agreement. The cost of the Décor Package will vary based on the square footage of the Franchised Restaurant and shipping costs.

9. Carved Bear Package. In addition to the Décor Package as part of your remodeling of the site, you will purchase and utilize a Carved Bear Package as described in Items 5, 8 and Exhibit C to the Franchise Agreement. The cost of the Carved Bear Package will vary based on the square footage of the Franchised Restaurant and shipping distance.

10. Initial Inventory-Food and Paper. You will need an initial inventory of food products, ingredients and paper goods for the operation of the Franchised Restaurant. These costs will vary based upon the size and location of the Franchised Restaurant, suppliers and anticipated volume.

11. Initial Inventory-Gift Shop Products. You will be required to purchase the Gift Shop Products from approved suppliers. The cost will vary depending upon the size of your Franchised Restaurant, number of square feet devoted to the Black Bear Diner Gift Shop and anticipated sales volume.

12. Insurance. The figures in the chart estimate your insurance costs during the first 3 months of operation and include liquor liability coverage. You might need to pay the entire annual premium in advance. Also, costs may vary among underwriters depending on how long you have been in business, your financial condition, your risk history, and the Franchised Restaurant location.

13. Signage.. This range includes the cost of all signage used in identifying your Franchised Restaurant. The costs will vary based upon the overall size of the premises, the location of the Franchised Restaurant and prevailing wage rates.

14. Office Equipment and Supplies. You must purchase general office supplies including stationery and business cards along with typical office equipment. Factors that may affect this cost include local supplier charges and the specific items you select.

15. Computer System. We require you to utilize the Computer System which is described in greater detail in Item 11.

16. Grand Opening Advertising. You are required to spend at least $5,500 on grand opening advertising for the period beginning 1 week prior to opening until 8 weeks after opening. You may choose to spend more depending on local media cost, location of the Franchised Restaurant and general customer demographics within the surrounding area.

17. Training Expenses. We do not charge an additional fee for the initial training program. However, you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.

18. Licenses and Permits. These amounts will be incurred for costs such as pre-construction and operating licenses and permits. Your actual costs may vary from the estimates based on the requirements of local government agencies. Should you elect to do so, it is solely your responsibility to obtain and maintain a liquor license for your Franchised Restaurant. The cost of a liquor license can be higher in states where the availability of a license is restricted or available only from an existing holder.

19. Professional Fees. You may need to employ an architect, attorney, accountant or other professionals to assist you in establishing your Franchised Restaurant. These fees may vary from location to location depending upon the prevailing rate of service fees. Should you elect to serve beer and wine, you should retain legal counsel specialized in obtaining liquor licenses.

20. Additional Funds-3 Months. The additional funds is an estimate to cover operating expenses, including employees' salaries, for three months of operation. However, we cannot guarantee that this amount will be sufficient. Our estimate of the amount of additional funds required to operate the Franchised Restaurant is based on the experience of our affiliate in operating other Black Bear Diner restaurants. Additional funds may be required if sales are low or fixed costs are high.

21. TOTAL. In compiling this chart, we relied on our and our affiliates' experience in operating other Black Bear Diner restaurants. You should review these estimates carefully with a business advisor or accountant before making any decision to buy a franchise. We do not typically offer financing for any of the above expenditures.

YOUR ESTIMATED INITIAL INVESTMENT
(AREA DEVELOPMENT AGREEMENT)

The following chart provides an estimate of your initial investment to open your first Franchised Restaurant if, for example, you sign a Development Agreement for the development of 5 Franchised Restaurants.

Type of Expenditure[(1)]	Amount	Method of Payment	When Due	To Whom Paid
Development Fee[(2)]	$74,500	Lump Sum	At Signing of Area Development Agreement	Us
Franchise Fee For First Franchised Restaurant	$55,000	Lump Sum	At Signing of Franchise Agreement	Us
Other Expenditures For 1st Franchised Restaurant[(3)]	$1,495,700 to $2,238,600	As Disclosed in Preceding Table	As Disclosed in Preceding Table	See Preceding Table
TOTAL[(4)]	**$1,625,200 to $2,368,100**			

EXPLANATORY NOTES

1. Type of Expenditure. In general, all payments including the Franchise Fee, are non-refundable. The Franchise Fee is partially refundable under certain circumstances. We do not finance any portion of your initial investment.

2. Development Fee. If you enter into a Development Agreement requiring you to open 5 Franchised Restaurants, you will pay a Development Fee of $74,500 ($22,500+$20,000+$16,000+$16,000). The initial Franchise Fee for your first Franchised Restaurant is $55,000 and is due upon signing the Franchise Agreement. The Franchise Fee for each additional Franchised Restaurant ranges from $24,000 to $45,000 depending on the number of restaurants to be developed. In the case of each Franchised Restaurant after the first one, we will

credit against the Franchise Fee the amount of the Development Fee paid with respect to each Franchised Restaurant for which you are signing a Franchise Agreement.

3. Other Expenditures. The balance of your initial investment for the first Franchised Restaurant is as stated in the preceding table. Your costs to develop the second and each additional Franchised Restaurant may be affected by inflation, local labor costs, materials cost and other factors not within our control.

4. TOTAL. In compiling this chart, we relied on our and our affiliates' experience in operating other Black Bear Diner restaurants. You should review these estimates carefully with a business advisor or accountant before making any decision to buy a franchise. We do not typically offer financing for any of the above expenditures.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchised Restaurant Build-Out

You are responsible for developing the Franchised Restaurant in compliance with our system and ensuring that all plans and specifications comply with our requirements, applicable laws, and lease requirements. We will give you standard specifications and layouts for a Black Bear Diner restaurant. You must hire an architect acceptable to us to prepare your plans and make any necessary changes to our standard specifications and layout. Our acceptance of your architect will not in any way be our endorsement of your architect or render us liable for your adherence to any federal, state or local codes. You must give us, and we have the right to review and approve all plans and specifications before you begin constructing the Restaurant. You or your architect must certify to us that the architectural renderings, plans, and specifications comply with all applicable federal, state and local codes including the Americans with Disabilities Act. We will perform a final inspection and provide you with a written sign-off if the build-out meets our approval. We must sign off on the final build out prior to your beginning operation of the Franchised Restaurant.

You must hire a general contractor to complete the build-out of your Black Bear Diner restaurant. You must purchase, at your expense, all fixtures, furnishing and signs as we may periodically approve. To ensure a uniform image throughout the Black Bear Diner system, you must utilize a proprietary Décor Package and Carved Bear Package in the build out of your Franchised Restaurant. The Décor Package includes items used for the decoration of your Franchised Restaurant and includes bear-themed posters, photographs, signs, silhouettes and wallpaper. A list of items included in the standard Décor Package is included as Exhibit B to the Franchise Agreement. The Carved Bear Package includes a grouping of colorful, wood-carved bears depicted in playful, inviting poses which are designed to welcome customers to your Franchised Restaurant. A list of items included in the Carved Bear Package is included as Exhibit C to the Franchise Agreement. Both the Décor Package and the Carved Bear Package must be purchased from designated suppliers and installed by your general contractor. We will assist you in placing your order with the designated suppliers of these packages.

Franchised Restaurant Operation

Purchases and Suppliers. You must buy all food and beverage items including produce and dry goods, ingredients, kitchen and other equipment, furnishings, supplies, materials, paper products, and other items used or offered for sale at the Franchised Restaurant only from suppliers (including manufacturers, distributors, and other sources) that satisfy our then-current standards

and specifications; possess adequate quality controls and capacity to supply your needs promptly and reliably; and have received our approval. We reserve the right to approve and/or designate, from time to time, contractors, manufacturers, vendors, distributors, suppliers, producers, terms, and distribution methods for any goods and services, which include insurance, products, equipment, supplies, and materials. You must purchase all goods and services required for the operation of your Black Bear Diner Restaurant from an approved supplier (which may be only one supplier for any given good or service) under the terms and in the manner we designate. If we or our affiliates designate that such goods and/or services are to be purchased through approved third-party suppliers, then you must purchase such goods and/or services from such suppliers according to the terms and in the manner which we approve. We may designate only one exclusive supplier for any product and/or service.

If we designate one or more exclusive suppliers for a particular good or service, you may not request to utilize an alternative supplier. However, if an exclusive supplier has not been designated and you desire to use any item, service or supplier in operating the Franchised Restaurant that we have not approved (for items or services that must meet our specifications or require supplier approval), you will first send us sufficient information, specifications and/or samples for us to determine whether the item or service complies with our standards and specifications or the supplier meets our criteria. We may charge a reasonable fee for inspection and/or testing, not to exceed $1,000, and will decide within a reasonable time, typically 30 days, after receiving all requested information whether any proposed item or service meets our specifications or if you may purchase or lease items or services from a proposed supplier. We apply the following general criteria in approving a proposed supplier: ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; dependability and general reputation of the supplier and willingness to pay us a fee to join our key vendor network. In addition, suppliers of food products must meet our standards for testing and auditing to assure quality, safety and nutrition. We will notify you in writing of our decision regarding the approval or disapproval of any supplier or item or service. In addition, we will notify you in writing of our revocation of approval of any supplier, or of any item or service no longer meeting our specifications. You may be required to sign contracts with third party suppliers in the form they specify.

Fountain Beverages. We currently maintain purchasing and pricing arrangements for the supply of fountain and packaged beverages including soft drinks, teas, waters, isotonics, energy drinks, juices, juice drinks, dairy-based and coffee-based beverages. Pepsi and Dr. Pepper are the only approved beverage lines for your Franchised Restaurant. You must feature and exclusively purchase your requirements of beverage products from full-line suppliers of Pepsi and Dr. Pepper products. Certain funds will be paid by beverage suppliers directly to qualifying franchisees and others to us. These funds may be designated for general and in-store advertising, system-wide promotions and/ or franchise conventions.

Merchant and Gift Cards. We require all franchisees to accept major credit cards for customer purchases. You may be required to invest in additional equipment and incur fees from the credit card vendors that we designate. We also have an electronic gift card program and you must participate in this program. As part of the gift card program you and other franchisees will issue stored value cards to customers for use as gift certificates, promotional cards and restaurant credit. When a gift card is redeemed we will pay the redeeming franchisee the amount of the purchase from a central gift card fund that we maintain.

Digital Jukebox Lease & Music Royalty Licenses. We have a sole supplier for the installation and maintenance of the digital jukebox you will use in your Franchised Restaurant. You will lease your digital jukebox and procure the appropriate music rights licenses from our supplier.

Our supplier currently leases the jukebox and music to you at $350 a month, but the amount is subject to change at the supplier's discretion. In order to install the jukebox, you must provide a suitable prewired location within your Franchised Restaurant. In addition, you will need to maintain DSL and phone lines in order to download music and for its ongoing operation.

Computer System. You are required to purchase and utilize a computer system including digital kitchen display system, point-of-sale system, including hardware and software, as more fully described in Item 11. You will purchase the Computer System and enter into license agreements for software with approved supplier(s). Under the terms of certain license agreements we have negotiated with third party suppliers of software used in the operation of the Computer System, you are required to pay the monthly licensing fee directly to us for your use of the software. We then remit your and other franchisees' license fees to the software licensor. During our most recent fiscal year ended December 31, 2025, we collected license fees from franchisees totaling $428,286 for software licenses. Because we serve only as a conduit for these payments they do not appear as revenue on our financial statements. As noted in Item 6, you must use an approved online ordering and delivery service that integrates with the Computer System.

Insurance. You must purchase insurance and provide us copies of all insurance policies with the minimum coverages and limits specified below or otherwise stated in the Manual. You may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. You must maintain insurance during the term of the Franchise Agreement and for such period after as necessary to provide coverage required for events occurring during the term of the Franchise Agreement. We may from time to time modify the required minimum limits and require additional insurance coverages by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the Black Bear Diner system, standards of liability and higher damage awards. We currently require you to maintain the following policies with minimum coverages and limits:

Commercial General Liability -$1,000,000 per occurrence limit.
$1,000,000 Personal and Advertising Injury
$2,000,000 Products/Completed Operations Aggregate
$2,000,000 General aggregate

Property Coverage -Replacement Cost Coverage
Special Form for Tenant Improvements, Contents including Inventory, Furniture, Fixtures, Equipment, Supplies and other Property used in connection with the Franchised Restaurant including Business Income and Extra Expense.

Workers Compensation
To comply with the statutory requirement for the state in which the Franchise Restaurant is operating and Employee's Liability Insurance with a limit of $1,000,000 per accident for Bodily Injury or Disease.

Auto Liability
To include non-owned and hired coverage, with a combined single limit of $1,000,000.

Umbrella/Excess Liability
Umbrella or Excess Liability Policy for $1,000,000 limit that is excess of the limits required by the General Liability and Auto Liability policies (to also include Employers Liability).

Cyber Liability
To include 3rd party coverage and business interruption coverage with a limit of $1,000,000.

Liquor Liability Insurance
$1,000,000 or state required coverage, whichever is greater.

You must purchase insurance from a carrier with a performance rating of at least A-/VII in Best's Insurance Guide. All insurance policies must name BBDI LLC, its parents and affiliated entities as additional insured parties and include a waiver of subrogation. Your insurance must apply on a primary and non-contributory basis. You must furnish us with such evidence of insurance coverage at least 10 days prior to beginning operations and on an annual basis thereafter as well as proof of payment of premiums as we may request. Your insurance policies must provide for thirty days' prior written notice to us of any material modifications. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur.

As a supplement to your required insurance coverage, we currently maintain a system-wide policy providing Restaurant Recovery Insurance, underwritten by Tokio Marine HCC-Specialty Group. The policy for Restaurant Recovery Insurance provides certain specific coverages and reimbursements to qualified Franchised Restaurants resulting from incidents involving accidental contamination and malicious tampering of food products. In most cases we will be able to offer a basic policy to you at no additional cost. In the event you have the same or similar coverages or wish to maintain higher limits or lower deductibles than are offered, you are not required to make application for coverage and may elect to procure your own policy.

Marketing Materials. As described in Item 11, we or our designated agent must approve all marketing materials before you use them. We may require you to use certain agencies for the creation of marketing materials.

Food Safety Audits. To ensure the highest food quality and guest experiences, we require you to complete food safety audits at least 3 times per calendar year by our then current cleaning vendor. We currently require you to engage UL Everclean Services, Inc. (28632 Roadside Dr #275, Agoura Hills, CA 91301) for these audits, but we may modify the number of audits and vendor through modifications to the Black Bear Diner Manual.

Miscellaneous

As of the date of this disclosure document, you are not required to purchase any products or services from us or our affiliates. Presently, neither we nor our affiliates supply any products or services to our franchisees. We negotiate purchase arrangements with suppliers for the benefit of franchisees including terms for price, specifications, payment and volume discounts. Some suppliers pay fees to us based on their actual or prospective dealings with you, other franchisees and our affiliates. Most of these payments are based on a flat fee amount while others are calculated based on sales of products to you and our affiliate-owned restaurants. During our last fiscal year ended December 31, 2025, we received payments ranging from approximately $200 to $239,252 from various suppliers in consideration of purchases made by franchisees. Unless such rebates and revenue are earmarked for marketing programs or other purposes, we intend to utilize such the rebates and revenue for the reimbursement of our costs of sponsoring the annual Black Bear Diner Franchise Convention and for other franchisee events and services.

During our last fiscal year ended December 31, 2025, we and our affiliates received $0 in revenue from the sale of products and services directly to franchisees. Our affiliates received $0 in revenue as a result of required purchases from approved and designated suppliers by franchisees. For our most recently ended fiscal year ended December 31, 2025, we received $1,233,374 in payments as a result of required purchases by franchisees from approved or designated suppliers and from suppliers who comply with our specifications. This represents approximately 5% of our total revenue of $24,582,435 as taken from our financial statements for our most recent fiscal year ended December 31, 2025. We estimate that approximately 80% to 90% of your expenditures for leases and purchases in establishing your Franchised Restaurant and approximately 30% to 40% of your expenditures on an ongoing basis will be for goods and services which must be purchased from approved or designated sources or in accordance with our specifications.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Franchised Restaurants) based upon whether you purchase through the sources we designate or approve; however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement. You must allow us or our representative to conduct inspections on at least a monthly basis. These inspections may be conducted at any time and you must immediately take the actions needed to correct any deficiencies during the inspection. We currently have no purchasing or distribution cooperatives. There is currently no supplier in which any of our officers owns an interest.

Area Development Agreement

We have no required specifications, designated or approved suppliers for goods, services or real estate relating to the Area Development Agreement. We do not derive revenue as a result of your purchases or leases under the Area Development Agreement.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Agreement: Franchise Agreement (FA) Area Development Agreement (ADA)	Disclosure Document Item
a.	Site selection and acquisition/lease	FA: Section 5 ADA: Section 4	Item 12
b.	Pre-opening purchases/leases	FA: Section 5 ADA: Not Applicable	Items 7 and 8
c.	Site development and other pre-opening requirements	FA: Section 2 ADA: Section 4	Items 6, 7 and 11
d.	Initial and ongoing training	FA: Section 8 ADA: Not Applicable	Items 6, 7, 11
e.	Opening	FA: Section 5 ADA: Section 4	Item 11
f.	Fees	FA: Section 3	Items 5 and 6

Obligation		Section in Agreement: Franchise Agreement (FA) Area Development Agreement (ADA)	Disclosure Document Item
		ADA: Section 3	
g.	Compliance with Standards and Policies/Operating Manual	FA: Sections 5, 6, 7, 9, and 10 ADA: Not Applicable	Item 8
h.	Trademarks and Proprietary information	FA: Sections 6 and 7 ADA: Section 6	Items 13 and 14
i.	Restrictions on Products/Services Offered	FA: Sections 13 ADA: Not Applicable	Items 8 and 16
j.	Warranty and Customer Service Requirements	FA: Section 13 ADA: Not Applicable	Item 16
k.	Territorial Development and Sales Quotas	FA: Not Applicable ADA: Sections 2 and 4	Item 12
l.	Ongoing Product/Service Purchases	FA: Section 13 ADA: Not Applicable	Items 8 and 11
m.	Maintenance, Appearance and Remodeling Requirements	FA: Sections 5 ADA: Not Applicable	Items 6 and 17
n.	Insurance	FA: Section 14 ADA: Not Applicable	Items 6, 7 and 8
o.	Advertising	FA: Section 11 ADA: Not Applicable	Items 6 and 11
p.	Indemnification	FA: Section 20 ADA: Section 11	Item 6
q.	Owner's Participation/Management/ Staffing	FA: Section 13 ADA: Not Applicable	Item 15
r.	Records and Reports	FA: Section 12 ADA: Not Applicable	Items 9 and 11
s.	Inspections and Audits	FA: Sections 6 and 13 ADA: Not Applicable	Items 6, 11 and 13
t.	Transfer	FA: Section 18 ADA: Section 7	Items 9 and 17
u.	Renewal	FA: Section 4 ADA: Section 5	Item 17
v.	Post-Termination Obligations	FA: Sections 16 and 17 ADA: Section 9	Item 17
w.	Non-Competition Covenants	FA: Section 17 ADA: Section 10	Item 17
x.	Dispute Resolution	FA: Section 22 ADA: Section 13	Item 17

ITEM 10
FINANCING

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

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations

Franchise Agreement. Under the Franchise Agreement, before you open your Franchised Restaurant, we will provide you with the following assistance:

1. Provide you with general guidelines and assistance in selecting the site from which you will operate the Franchised Restaurant. (Franchise Agreement, Section 5.1)

2. Provide you with a layout for the interior of your Black Bear Diner restaurant along with specifications for the interior design, layout, décor, equipment, fixtures, furnishings and signs. (Franchise Agreement, Section 5.3).

3. Make available through third-party designated suppliers, the Décor Package and the Carved Bear Package for the build-out of your Franchised Restaurant along with an initial opening inventory of Trademarked Products for resale at your Franchised Restaurant. (Franchise Agreement, Sections 5.4 and 13.2)

4. Provide the initial training program for you and your General Manager as described in detail below in this Item 11. (Franchise Agreement, Section 8)

5. Provide to you, on loan, one electronic copy of the Black Bear Diner Manual ("Manual"), consisting of written materials and electronic media, which includes the Bear Necessities Quality Control Program (Franchise Agreement, Section 9). The Table of Contents of the Manual, along with number of pages devoted to each section, is included as Exhibit D. Electronic access is only available through our Bears in the Know system. You will agree in your Development Agreement and Franchise Agreement that we are not joint employers of your employees and other personnel. We do not and will not share or codetermine any of your employees' essential terms and conditions of employment. More specifically, in no case do we have any authority to determine or set your employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. You alone have sole authority to determine any or all your employees' essential terms and conditions of employment.

6. Make available to you the Computer System that we have developed or selected for the System (described further below). (Franchise Agreement, Section 12.4)

Area Development Agreement. Under the Area Development Agreement, we will provide you with the following assistance:

1. Grant you rights to a Development Area within which you will establish and operate an agreed-upon number of Franchised Restaurants under separate Franchise Agreements (Area Development Agreement, Section 2.1).

2. Review your submitted site reports for site(s) you select for conformity with our site criteria and, if the site meets our criteria, approve the sites for each Franchised Restaurant (Area Development Agreement, Section 4.3).

3. Conduct one on-site evaluation and such additional on-site evaluations as we deem advisable, as part of our evaluation of the site for a Franchised Restaurant (Area Development Agreement, Section 4.3).

Continuing Obligations

During the operation of the Franchised Restaurant, we will provide you with the following assistance:

1. For approximately 14 days around the opening of your Franchised Restaurant, provide you with on-site assistance and guidance, at our expense, in order to facilitate the operations of your Franchised Restaurant. The types of guidance and assistance we provide will center around brand standards. If this is your first or second Franchise Agreement, we will make available 6-10 persons for on-site assistance and guidance. If the Franchise Agreement pertains to the third Black Bear Diner restaurant operated by you or your affiliate(s), we will make available approximately 3-5 persons for on-site assistance and guidance and if it is the fourth or subsequent Franchised Restaurant to be operated by you or your affiliates, we will make available 1-2 persons for on-site guidance and assistance. (Franchise Agreement, Section 8.2).

You are required to provide us with a proposed projected opening date (the "Projected Opening Date") for your Franchised Restaurant that is at least forty-five (45) days into the future. Subject to availability of our opening team representatives, we will confirm as to whether or not the proposed date is acceptable and, if so, make certain monetary and other commitment in order to provide you with opening assistance on and around the Projected Opening Date. These commitments typically include incurring expenses for travel and lodging arrangements which may or may not be fully or partially refundable or subject to change. In the event you request that we reschedule the Projected Opening Date and we agree to do so, then you must reimburse us for our costs including, but not limited to, travel and lodging expenses resulting from us having rescheduled the Projected Opening Date. (Franchise Agreement, Section 8.2)

2. Make a representative available to advise and offer general guidance to you by telephone, electronic mail, facsimile, newsletters and other methods based on our and our franchisees' experience in operating other Black Bear Diner restaurants. (Franchise Agreement, Section 8.6).

3. Send a field representative to your Franchised Restaurant as we deem necessary for the purpose of providing consultation, assistance and guidance in various aspects of the operation of the Franchised Restaurant. We may prepare written reports in accordance with the Bear Necessities Quality Control Program outlining any suggested changes or modifications in the operation of the your Franchised. (Franchise Agreement, Section 8.6)

4. Provide additional training programs and courses to you, your general manager and other employees, which may be optional or mandatory. We reserve the right to charge a tuition fee for optional training programs. Mandatory training programs will be provided to you without

tuition charge. You will be required to pay all travel and living expenses incurred by you and your employees while attending training. (Franchise Agreement, Section 8.5)

5. At our discretion, conduct and administer a Black Bear Diner Convention for system franchisees. We currently conduct the Convention on an annual basis. (Franchise Agreement, Section 8.5)

6. At our discretion, suggest menu item pricing policies to the extent allowed by law. You will determine the prices of the products and services that you offer to guests, except that we may establish maximum rates and prices for marketing and promotions if permitted by law. (Franchise Agreement, Section 8.6)

Site Selection

If you enter into a Development Agreement with us, we will agree on with you and designate your Development Area. Your Development Agreement will have a schedule by which each Franchised Restaurant to be developed must be approved for commencement of operations. Before or after signing a Franchise Agreement, you and we will agree upon an approved location and protected area for your Franchised Restaurant. We do not determine the site for the first or any additional Franchised Restaurants to be developed under the Development Schedule, but you must receive our prior written consent to the development of a proposed site for the location of each of your Franchised Restaurants. We may, but are not obligated to, assist you in site selection, but you are ultimately responsible for selecting the site.

You are responsible for selecting the site for each of your Franchised Restaurants. In many instances franchisees have a proposed site prior to signing the Franchise Agreement. If you do not have a site which meets our criteria then you must select a site within the geographic area designated in the Franchise Agreement. Though you are solely responsible for selecting the site, we will provide site evaluation assistance at your request. The assistance consists of overall evaluation of alternative sites and at your request one site visit. Our prior approval of the site is required. The factors we consider in approving a site include general suitability, traffic pattern, ease of ingress and egress, visibility, availability of parking, proximity of similar business and the general lease terms. We will approve or disapprove a proposed site within 15 days of receiving all requested information. Our approval of one or more sites is not a representation or a promise by us that a Franchised Restaurant at the approved site will achieve a certain sales volume or a certain level of profitability. If no acceptable site is found by you and approved by us within 60 days after you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement immediately on notice without any need for a cure opportunity. Once we have approved your site for the Franchised Restaurant, you have 365 days to actually open and begin operating your Franchised Restaurant. If you fail to open and begin operating your Franchised Restaurant within 365 days after we have approved your site for your Franchised Restaurant, we have the right to terminate the Franchise Agreement immediately on notice without any need for a cure opportunity. Further, in all cases, you must open your Franchised Restaurant within 500 days after you sign your Franchise Agreement.

The typical length of time between the signing of the Franchise Agreement and the opening of a Franchised Restaurant is approximately 180 to 365 days. The factors that may affect this time include your ability to obtain zoning approval, build-out of the site, weather conditions and other special circumstances.

Marketing & Advertising

Marketing Fund. We have implemented and administer the Black Bear Diner Marketing and Advertising Fund (the "Fund"). You are required to contribute, each week, an amount equal to 1% of your Gross Sales. We may increase the amount of your contribution upon 30 days' notice to you. We will not increase your required contribution to more than 3% per week. Your contribution will be made at the same time and in the same manner as the Royalty Fee. We will maintain and administer the Fund in our sole discretion as follows:

We will use the Fund for national and/or regional marketing activities to promote the Black Bear Diner System (including, without limitation, the cost of preparing and conducting television, radio, magazine, newsprint, billboard and digital/internet advertising campaigns) and related business purposes including employing advertising agencies to assist in these activities. We may charge the Fund fees at reasonable market rates for administrative or marketing services provided by us, if any. We will not directly use the Fund to offer to sell franchises to prospective franchisees.

If less than the total of all contributions to the Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. In addition, the Fund may borrow from us or other lenders to cover deficits in any fiscal year.

We will endeavor to manage the Fund in a way that benefits the System and increases public recognition of the services offered as part of the System. However, we cannot, and do not, ensure that any particular franchisee will benefit directly or pro rata from the placement of advertising or from any expenditure by the Fund. All contributions by franchisees to the Fund may be maintained in a separate account from our general operating account. Although we intend the Fund to be of perpetual duration, we maintain the right to terminate the Fund and return all unexpended funds to you and other franchisees on a pro rata basis based on contributions for the last 12 months prior to the Fund being terminated. An accounting of the operation of the Fund shall be prepared annually and shall be made available to you and other franchisees upon request. We may elect but are not required to have an audit performed of the Fund statements. All Black Bear Diner restaurants which we or our affiliates own or operate will be required to contribute to the Fund on the same basis as the Franchised Restaurants. You authorize us to collect for remittance to the Fund any advertising or promotional monies offered by any supplier based upon purchases by you or otherwise. During our last fiscal year ended December 31, 2025, we again had the following Fund expenditures: 1% Production; 72% Placement; 23% Administration and 4% in restaurant promotional materials.

Grand Opening Advertising. You must execute an opening advertising program ("Grand Opening Advertising") in which you must spend at least $5,500 during the time period beginning approximately 1 week before your Black Bear Diner restaurant is scheduled to open and within approximately 8 weeks after the opening. The Grand Opening Advertising must comply with our specifications and standards, as set forth in the Manual.

Local Advertising. You must advertise your Black Bear Diner restaurant at your own expense in your local trade area. You are required to spend 1% of your Gross Sales per month on local advertising. We have the right to review and approve (or disapprove) any or all advertising and promotional materials you propose to use. You may not use any advertising or promotional materials that we have not approved or have disapproved. You may not develop, maintain, or authorize any website that contains or mentions the Marks. (Franchise Agreement, Section 11.1)

Advisory Council. Currently, there is no advertising council composed of franchisees that advises us on advertising policies. If we choose to form an advisory council, the council will act in

an advisory capacity only and will not have decision making authority. The franchisee representatives of the council may be chosen by us or by a vote of franchisees. We may form, merge, change or dissolve any advisory council at any time.

Websites and Social Media.

We operate an internet website that provides information about our restaurant brand, about our own Black Bear Diners and about Black Bear Diners generally. We have sole discretion and control over the website (including timing, design, contents and continuation) and may (but are not required to) include at the website interior pages containing information about ours and our franchisees' Black Bear Diners. We may offer and sell proprietary and other food items through our internet website or other websites, including in your area. See Item 12. You will have no right, license, or authority to use any of the Marks on or in connection with our internet website or any other website, except as we provide in the Franchise Agreement and/or the Manual from time to time.

In all cases, we have sole discretion and control over any profiles using or relating to the Marks, your Black Bear Diner, any other Black Bear Diner, or the System, or that display the Marks that are maintained or posted on Social Media, which we define as any and all existing or future forms of electronic communication, whether for business or personal use (including via Internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos) through which users create or use online networks or communities (including but not limited through online communities such as Facebook, Twitter, Instagram, SnapChat, LinkedIn, YouTube, Yelp or Wikipedia and other similar content sharing outlets) to share information, ideas, personal messages, and other online content.

You must comply with the standards and procedures developed by us for the System, in the manner directed by us in the Manual or otherwise in writing, with regard to your authorization to use, and your profiles on and use of, any websites, listings or other uses of Social Media in an medium ("Social Media Sites") that in any way references the Marks or involves the System or the Franchised Restaurant. We reserve the right to own and license to you for use any and all listings on Social Media Sites that reference your or any other Black Bear Diner, the Marks or the System. We also reserve the right to require our approval of any message you compose for posting on any other Social Media Sites before you post such message or commentary. If requested by us, you agree to cease posting on any Social Media Site in connection with your or any other Black Bear Diner, the Marks or the System.

Computer System:

We require you to use a specific Computer System for the implementation and utilization of a computerized retail management system and point of sale ("POS") system consisting of the following components:

Point of Sale System/Kitchen Display System. The POS system currently consists of hardware and software designed to track various aspects of your Franchised Restaurant including those pertaining to daily sales reports, inventory, customer tracking and vendor purchase orders. As an integral part of the POS System, you will utilize front of house terminals for transmitting customer orders to a kitchen display system five screen kitchen display system for digitally transmitting and displaying orders in the kitchen. As part of the front of house software and hardware, we require two cashier stations with countertop credit card chip reader terminals with EMV chip payment capability. We reserve the right to modify the vendor and/or model of the POS

System in the future, but do not currently anticipate materially changing the functionality of our POS System.

Waitlist System. You are required to utilize a waitlist/queuing system as designated by us which utilizes two computer tablets similar to iPad Pro®.

Back of House System. You will need a back office computer as well as two computer tablets or similar devices. Ctuit® is the approved back of house system and is used as a means of communication for general information sharing between you and us regarding financial, operating, reporting, inventory management and marketing aspects of your Franchised Restaurant. In addition, we require you to utilize PlayerLync® software which provides operational documentation in both written and visual electronic formats.

Internet Connection and Firewall. You must maintain a high speed internet connection at your Franchised Restaurant as well as a managed firewall service from an approved vendor. Your firewall service must segment your network, monitor all traffic on your network and restrict inbound traffic which does not meet proper security protocol. A 4G failover internet backup is required to avoid disruption occurring with your wired connection.

We estimate the initial cost of the computer system, including hardware and software, to be approximately $45,000 to $85,000. Neither we nor our affiliates are obligated to provide you with any ongoing maintenance, repair, upgrades or updates to your computer system. You are not required to enter into any ongoing maintenance and support agreement for your computer system but you may find it advantageous to do so. We estimate the monthly cost of ongoing software and hardware maintenance costs is between $300 to $600. We have the right to independently access all information collected or compiled by you as a result of using the computer system at any time without first notifying you. There is no contractual limitation on our right to do so. You must update or upgrade computer hardware components and/or software as we deem necessary. There are no contractual limitations on the cost of any upgrades and/or updates we may require. However, we will not require you to upgrade more than one time per year.

You must abide by all applicable laws pertaining to the privacy of consumer, employee and transactional information. Also, you must understand and comply with the Payment Card Industry (PCI) Data Security Standards which as of the date of this disclosure document can be found at https:www.pcisecuritystandards.org/ as well as the Fair and Accurate Credit Transactions Act (FACTA).

We do not have separate computer system requirements under the terms of the Area Development Agreement.

Training

We conduct an initial training program which you and your general manager, if applicable, and assistant manager(s) must attend and complete to our satisfaction prior to beginning operation of the Franchised Restaurant. Under certain circumstances, for example, you are currently a multi-unit operator (whether under a single franchisee entity or multiple affiliated franchisee entities) or your personnel have been previously trained by us, and you receive our preapproval then we may waive the initial training program or certain aspects of it. The instructional material for initial training program is primarily on-the-job and conducted over approximately 8 weeks and is for approximately 320 hours as described in the chart below. We supplement on-the-job training with approximately 15-30 hours of classroom and interactive, online training modules which we refer to as “Bears in the Know.” Except for the Grand Opening Module which is conducted over 14

consecutive days, training is typically conducted on Wednesday through Sunday as described in the chart below. We provide training at one or more of our company owned Black Bear Diner restaurants which we determine. In the future, we may certify certain franchisee-owned Black Bear Diner restaurants that meet our requirements as "Training Restaurant(s)." If so, you may be required to attend and complete training to our satisfaction at a Training Restaurant. Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of approved services to customers in a manner that reflects the service standards of the System. You are, and will remain, the sole employer of your employees during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You must ensure that your employees receive adequate training. The content of the training programs may be modified periodically.

If you are an Area Developer and sign an Area Development Agreement for five or more restaurants (whether under a single franchisee entity or multiple affiliated franchisee entities), your multi-unit operations manager must attend and satisfactorily complete our initial training program.

If you and your affiliates or related parties have at least 3 open and operating Black Bear Diner restaurants (determined by us), we can require to you seek and obtain certification for one or more of your Black Bear Diner restaurants to become a certified training restaurant for you to conduct some or all of our initial training program for your new Black Bear Diner restaurants, at your cost.

Ms. Camille Chavez our Vice President of Training & Development is responsible for all aspects of training and is generally experienced in conducting training programs. Ms. Chavez joined us in 2019 and has over 11 years of experience in developing, implementing and managing training programs for various franchise concept including curricula development, on-line training, interactive seminars and workshops, and "train the trainer" development.

We may provide and, if so, require that you, your General Manager or other managerial employees attend and successfully complete ongoing training programs including refresher training, seminars, informational classes and/or meetings. Attendance at such training programs will be at your sole expense, as to travel and living expenses. We will not charge a tuition fee for attending any mandatory courses but may, in our discretion, charge a reasonable fee for any optional training.

You or your General Manager is required to attend the Black Bear Diner Franchise Convention at which seminars, workshops and other training may be conducted. The Convention will be held at a location we designate. Attendance at the Convention will not be required for more than three (3) days during any calendar year. You are required to pay all costs to attend the convention; however, we may elect to offset certain costs otherwise required of you based upon the level of payments received (if any) from third party suppliers as described in Item 8. Should you or your General Manager fail to attend the Convention, we may assess a fee as described in Item 6.

Your General Manager and up to two assistant managers must attend the annual training meeting for General Managers that we may hold or sponsor. You are responsible for all costs of your managerial employees to attend the annual training. Attendance at the General Manager annual training meeting will not be required for more than two (2) days during any calendar year. Should your managerial employees fail to attend the annual training meeting, we may assess a fee as described in Item 6.

If you hire a new General Manager after completing initial Training Program, we will provide training to your General Manager for an additional fee of $3,000. Any General Manager

hired by you must attend and successfully complete the initial Training Program within 60 days of hire. We may, based on your or your General Manager's personal qualifications and experience, revise, modify or alter the initial training program.

All our training is on-the-job training. The following is a schedule of the initial training program that we currently provide:

MANAGEMENT TRAINING PROGRAM

Subject	Hours of Classroom and On-line Training	Hours of On-The-Job Training	Location
Franchisee/ General Manager/ Assistant Manager Module (app. 320 hours)			
Front of House procedures and Management	App. 10-20 combined	App. 320 combined	Company-Owned Restaurant
Kitchen Management	"	"	"
Food Preparation	"	"	"
Cooks Training	"	"	"
Purchasing & Cost Control	"	"	"
Accounting & Cash Systems	"	"	"
Marketing & Advertising	"	"	"
Operations & POS System	"	"	"
Kitchen Manager Module (app. 160 hours)			
Food Preparation	App. 5-10 combined	App. 160 combined	Company-Owned Restaurant
Cooks Training	"	"	"
Purchasing	"	"	"
Cost Control and Operations Management	"	"	"
Line Cook Module (app. 96 hours)			
Food Preparation	0	App. 96 combined	Company-Owned Restaurant
Cooks Training	"	"	"
Prep Cook Module (app. 40 hours)			
Food Preparation	0	App. 40 combined	Company-Owned Restaurant
Grand Opening Module (app. 80 hours)			
Grand Opening	0	App. 80 combined	We Determine

If you have previously operated a Black Bear Diner restaurant, our training program may be modified as you and we deem appropriate.

ITEM 12
TERRITORY

Franchise Agreement

Under the Franchise Agreement, you will be granted the right to develop and operate a Franchised Restaurant at a specific location that first must be approved by us. You may not relocate the Franchised Restaurant without our prior written consent. If, prior to the termination or

expiration of the Franchise Agreement, the lease or sublease for your Black Bear Diner restaurant location expires or terminates without your fault, or if the premises are destroyed, condemned or otherwise rendered unusable, we will permit you to relocate your Black Bear Diner restaurant to a new site acceptable to us. Any relocation will be at your sole expense, including reimbursing us for all reasonable costs and expenses that we may incur in connection with evaluating, approving and/or implementing the relocation. You also must indemnify us against all loss, liability, costs and expenses that we may incur in connection with any aspect of the relocation process.

Under the terms of the Franchise Agreement, we will grant you a geographic area known as a "Protected Area". If you comply with the Franchise Agreement, we will not operate or license others to operate a Black Bear Diner restaurant from a location within the Protected Territory during the term of the Franchise Agreement. A description of the Protected Territory is included as an exhibit to the Franchise Agreement. The perimeter of the Protected Territory may be described by street boundaries, county lines, state lines, municipal boundaries or other similar boundary descriptions. For the typical Franchised Restaurant, the Protected Territory will encompass an approximate 3-mile radius around the Franchised Restaurant.

As part of the rights reserved by us in the Franchise Agreement, we may (1) establish and operate, and license others to establish and operate, Black Bear Diner restaurants at any location outside of the Protected Area; (2) establish and operate, and license others to establish and operate, other businesses including similar restaurant concepts, using other trademarks, service marks and commercial symbols at any location either within and outside of the Protected Area; (3) sell and distribute products authorized for use and resale at the Franchised Restaurant, including the Gift Shop Products, at wholesale and at retail through alternative channels of distribution including, but not limited to, grocery stores, convenience stores, mail order and Internet sales to customers wherever located, including customers that may be located within the Protected Area; and (4) engage in any other activities not expressly forbidden by the Franchise Agreement.

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

Except as described above, we have no contractual right to modify any territorial right that we grant. As indicated above, we are not restricted from soliciting or accepting orders, from, or selling products or services using any trademarks to, consumers located within your Protected Area, including orders, products or services offered from other distribution channels, such as the Internet, catalogues, or other direct marketing sales. If we do so, we will not pay any compensation to you.

Neither we nor any affiliate currently engage in any of the activities described in the previous paragraph, but we reserve the right to do so in the future.

Under the terms of the Franchise Agreement, you are not required to achieve a sales or market penetration quota. The Franchise Agreement does not provide you any options, rights of first refusal or similar rights to acquire additional franchises.

There are no restrictions on the areas in which you may advertise or solicit customers though you must operate your Black Bear Diner restaurant solely at the restaurant premises. You may not sell products to any other customer or business for resale and you may not sell products at, from or through any other location or distribution channel such as the Internet, catalog sales, telemarketing, or other direct marketing.

Area Development Agreement

If you enter into an Area Development Agreement, you will receive a Development Area within which you will have the rights and obligation to develop one or more Black Bear Diner restaurants. The Development Area will vary in size, depending upon the number of Franchised Restaurants you intend to open, the population density, and the demographics in the area in which you intend to operate. Your Development Agreement will have a schedule by which each Franchised Restaurant to be developed must be approved for commencement of operations. We set the development schedule with you before you sign your Development Agreement. If you fail to meet the development schedule in your Development Agreement, your development rights and Development Agreement are subject to termination. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours and we have no obligation to approve sites which do not meet our criteria. We do not determine the site for the first or any additional Franchised Restaurants to be developed under the Development Schedule, but you must receive our prior written consent to the development of a proposed site for the location of each of your Franchised Restaurants. So long as you comply with all provisions in the Area Development Agreement and otherwise comply with the provisions of each related Franchise Agreement, we will not establish or license others to establish a Black Bear Diner restaurant within the Development Area. In addition, you maintain your rights to your Development Area even if the population increases.

Except as specifically limited by the Development Agreement, we retain all rights with respect to Franchised Restaurants, the Marks, and any products and service. As part of the rights reserved by us in the Development Agreement, we may (1) establish and operate, and license others to establish and operate, Black Bear Diner restaurants at any location outside of the Development Area; (2) establish and operate, and license others to establish and operate, other businesses including similar restaurant concepts, using other trademarks, service marks and commercial symbols at any location either within and outside of the Development Area; (3) sell and distribute products authorized for use and resale at the Franchised Restaurant, including the Gift Shop Products, at wholesale and at retail through alternative channels of distribution including, but not limited to, grocery stores, convenience stores, mail order and Internet sales to customers wherever located, including customers that may be located within the Development Area; and (4) engage in any other activities not expressly forbidden by the Area Development Agreement. Under the terms of the Area Development Agreement, you have no right to operate a Black Bear Diner restaurant or to solicit or accept orders for any products or services. These and other related rights are only granted to you upon signing a Franchise Agreement.

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

Your rights under the Area Development Agreement are not dependent upon achievement of a certain sales volume or market penetration. However, if you fail to meet the dates contained in the Development Schedule then we may terminate your territorial exclusivity and the Area Development Agreement. In addition, upon the earlier of the expiration of the term of the Area Development Agreement or when you sign a Franchise Agreement for the last Franchised Restaurant to be developed within the Development Area, your exclusive rights under the Development Agreement with respect to the Development Area will terminate and we and our affiliates will have the right to operate and to grant to others development rights and franchises to develop and operate Franchised Restaurants within the Development Area. This right will be subject only to the territorial rights under the Franchise Agreements entered into by you for Franchised Restaurants in the Protected Area. You are not granted any other option, right of first refusal or similar right to acquire additional Restaurants in your Development Area under the Area Development Agreement.

ITEM 13
TRADEMARKS

Under the Franchise Agreement we grant you the non-exclusive right to operate your Franchised Restaurant under certain Marks that we authorize you to use. Our principal trademarks are:

Mark	Registration Number	Registration Date	Register
	4,439,591	November 26, 2013	Principal
	2,939,746	April 12, 2005	Principal
BLACK BEAR DINER	3,156,011	October 17, 2006	Principal
BLACK BEAR DINER GOOD OLD FASHIONED FAMILY FOOD	3,156,012	October 17, 2006	Principal

There are currently no effective material determinations of the United States Patent and Trademark Office ("PTO"), the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceedings, or pending material litigation, involving the principal Marks. There are no infringing uses known to us that could materially affect your use of the Marks. We have filed all required affidavits and renewals in connection with the Marks.

There are currently no effective material determinations of the PTO, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which the Franchised Restaurant is to be located.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims, unless you are legally required to do so. We may take whatever action we deem appropriate in these

situations, and have the right to control exclusively any settlement, litigation or PTO or other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any Mark. You must execute any instruments and documents, render assistance, take actions which in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue use of any Mark and/or to use one or more additional or substitute trademarks or service marks. We will not be required to reimburse you for your expenses to modify or discontinue the use of a Mark or to substitute a trademark or service mark for a discontinued Mark. The modification or substitution by us of a discontinued mark will be your sole and exclusive remedy against us if a Mark must be modified in our sole judgment or as a result of an involuntary loss of any one or more of the Marks by us.

You must use the Marks as the sole trade identification of your Franchised Restaurant. You may not use any Mark or part of any Mark as part of any corporate or trade name, in any modified form, nor may you use any Mark in connection with the sale of any unauthorized product or service, or in any other manner which we do not authorize in writing. You must give notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law.

You may not establish a website on the Internet using any domain name containing the words "Black Bear Diner" or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create websites using the "Black Bear Diner" domain name. You must not use any Mark or part of any Mark as part of any corporate or entity name, in any modified form with the sale of any unauthorized product or service, or in any other manner not authorized in writing by us. You must give notices of trademark and service mark registration as we specify and obtain fictitious or assumed name registrations as may be required.

You do not receive any right to use any Mark under the terms of the Area Development Agreement.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. We own certain copyrights in the Manual, marketing materials and other copyrightable items which are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. You may use these items only as we specify while operating your Franchised Restaurant and must stop using them if we direct you to do so. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

The Franchise Agreement provides that our trade secrets and any information or matter that is competitively sensitive and not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which stored, relating to the Black Bear Diner system, including recipes, food specifications, methods and techniques of food preparation, business operating systems and techniques, record-keeping and reporting methods, accounting systems, management systems and techniques, management training techniques, specifications for signs, displays, placemats, menus, bags, containers, business forms, and business stationery to be used by franchisees, designs, drawings, and specifications for business premises, operating manuals for franchisees, ideas, research and development, know-how, lists of franchisees and suppliers,

suggested pricing and cost information, and business and marketing plans and proposals which we provide to you in confidence shall be deemed Confidential Information.

You must not divulge Confidential Information to anyone except employees who must have access to it in order to operate your Franchised Restaurant.

Certain individuals having access to Confidential Information, including your shareholders, officers, directors, partners, employees, members, managers and your spouse, may be required to sign nondisclosure and non- competition agreements in a form we approve.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED RESTAURANT

The Franchised Restaurant shall at all times be under the exclusive and direct full-time supervision of either you, if you are an individual, or your general manager if you are a business entity. If you operate two or more Franchised Restaurants, you may delegate your management duties for each additional Franchised Restaurant to a general manager who has successfully completed our training program. The general manager need not have an ownership interest in the Franchised Restaurant.

All managerial level employees, including your general manager, and other key individuals having access to the Confidential Information, described in Item14, may be required to sign confidentiality and nondisclosure agreements.

If you are a business entity, each individual, and spouse if so required, who owns a 10% or greater interest in the entity must sign the Guarantee and Assumption of Obligations, attached as Exhibit D to the Franchise Agreement. The Guarantee requires those who sign it to pay all monetary obligations under the Franchise Agreement and perform and fulfill all other promises and duties you must perform under the Franchise Agreement. We do not typically require franchisee's spouse to guarantee performance though we reserve the right to do so.

If you sign an Area Development Agreement for five or more restaurants, you must have a multi-unit operations manager who has satisfactorily completed our training program to oversee the management of all your restaurants.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only menu items and other categories of products and services that we have authorized. In addition, you must offer all menu items and other categories of products and services that we designate as required for all franchisees. You must follow all directions, specifications, recipes, formulae and techniques as to the contents, including using the ingredients and preparation methods we specify, as well as conform to our packaging specifications. In addition, you are not permitted to sell any other food or beverage item or other merchandise of any kind without our prior written consent, which consent may be granted or withheld in our sole discretion. We may change the products, services, or merchandise that you may sell as well as the ingredients, manner of preparation, packaging, and other features at any time. There is no limit to the type or extent of our changes.

The Black Bear Diner restaurant premises may not be used for any activity other than as a restaurant, and must remain open and in normal operation for the minimum hours and days we specify in the Manual or otherwise in writing. You must operate your Franchised Restaurant in strict conformity with the specifications contained in the Manual or otherwise in writing.

Except as described above, you are not restricted by the Franchise Agreement or any other custom or practice of ours or of our affiliates with respect to products or services which you may offer or sell or with respect to customers to whom you may sell. We may add, delete, and/or change the menu items, products and services that we have approved as well as change or modify other aspects of the System. You will be obligated to accept, use and display any of these changes in the System. You will be obligated to make all necessary expenditures for such changes or modifications as we may reasonably require.

You must operate your Franchised Restaurant in strict conformity with all applicable federal, state, and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and are amendable and may be implemented or interpreted in different manners over time. It is solely your responsibility to apprise yourself of the existence and requirements of all laws, ordinances and regulations applicable to your Franchised Restaurant and to adhere to them and to the then-current implementation or interpretation of them.

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

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

FRANCHISE AGREEMENT

Provision		Section in the Franchise Agreement	Summary
a.	Term of the franchise	Section 4.1	The initial term begins when you sign the Franchise Agreement and expires 10 years from the date you actually open your Franchised Restaurant, unless earlier terminated for cause in accordance with the terms of the Franchise Agreement.
b.	Renewal or extension of the term	Section 4.2	You may renew for an additional term of 10 years subject to (c) below.
c.	Requirements for you to renew or extend	Section 4.2	To renew, you must have substantially complied with the provisions of the Franchise Agreement and not be in default at the time of renewal; maintain possession of the premises used in the operation of your Franchised Restaurant; make expenditures to remodel, modernize and redecorate to reflect the then-current appearance of new Black Bear Diner restaurants; provide notice of your intent to

Provision		Section in the Franchise Agreement	Summary
			renew; sign a new franchise agreement; meet current training requirements; pay a renewal fee of $5,000; and sign a general release. The terms of the new franchise agreement may contain materially different terms and conditions.
d.	Termination by you	Section 15.1	If you are in compliance with the Franchise Agreement and we materially breach the Franchise Agreement and fail to cure or begin to cure within 30 days of receiving your written notice.
e.	Termination by us without cause		Not Applicable
f.	Termination by us with cause	Section 15.2	We may terminate the franchise only if you breach the Franchise Agreement. Termination of the Development Agreement is not independent grounds for termination of the Franchise Agreement.
g.	"Cause" defined-defaults which can be cured	Section 15.2	You generally have 30 days to cure except for defaults included in (h) below.
h.	"Cause" defined-defaults which cannot be cured	Section 15.2	Noncurable defaults include: failure to obtain a suitable site; failure to begin operation of the Franchised Restaurant; failure to satisfactorily complete initial training or any mandatory training, seminar or annual convention; making a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony or other crime or offense that can adversely affect the reputation of either party or the Franchised Restaurant; any unauthorized use of the Marks Confidential Information; abandonment of or failure to operate the Franchised Restaurant; an attempt to surrender or transfer control of the franchise in an unauthorized manner; adjudication of bankruptcy, insolvency or making a general assignment for the benefit of creditors; misuse or unauthorized use of the Marks; failure to comply with the Franchise Agreement on 3 or more occasions within any 12 month period; fails 3 or more food safety or sanitation inspections within any 12 month period; operation of the Franchised Restaurant in a manner that presents a health or safety hazard.

Provision		Section in the Franchise Agreement	Summary
i.	Your obligations on termination/nonrenewal	Section 16	Stop operation of the Franchised Restaurant; if requested, assign your interest in the lease for the premises to us; stop using the Marks, System and our Confidential Information; assign any assumed names to us; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Manual, Confidential Information and all other proprietary materials to us; assign your telephone and listings to us as requested; and comply with the covenants not to compete and any other surviving provision of the Franchise Agreement.
j.	Assignment of contract by us	Section 18.1	There are no restrictions on our right to assign or transfer.
k.	"Transfer" by you-definition	Section 18.2	Includes sale of assets used in operating the Franchised Restaurant, assignment of franchise agreement or sale of interest in a franchisee legal entity.
l.	Our approval of transfer by you	Section 18.2	Approval is required for all transfers.
m.	Conditions for our approval of transfer	Section 18.2	Several conditions apply, including: all obligations owed to us must be paid; execution of a general release; the transferee must meet our qualifications; you must provide a copy of all agreements in connection with the proposed transfer, the transferee must sign our then current form of franchise agreement (which may current different terms than the original franchise agreement) and a transfer fee of $10,000 must be paid.
n.	Our right of first refusal to acquire your Franchised Restaurant	Section 19	We may match an offer for your Franchised Restaurant or an ownership interest in the franchise you propose to sell.
o.	Our option to purchase your Franchised Restaurant	Section 17.6	We are not obligated to do so, but, if the franchise is terminated or expires, we have the option to purchase the assets of the Franchised Restaurant.
p.	Your death or disability	Section 18.4	Your heirs, beneficiaries, devisees or legal representative can apply to us to continue operation of the Franchised Restaurant, or sell or otherwise transfer your interest in the Franchised Restaurant within 6 months of your death or disability.

Provision		Section in the Franchise Agreement	Summary
q.	Non-competition covenants during the term of the franchise	Section 17.1	During the term of the Franchise Agreement you cannot own or otherwise have any interest in a competitive business unless we approve otherwise (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	Section 17.2	No involvement in a competing business for 2 years within 25 miles of your Franchised Restaurant or within 25 miles of any other Black Bear Diner restaurant (subject to state law).
s.	Modification of the agreement	Section 21.5	The Franchise Agreement can be modified only by written agreement between you and us.
t.	Integration/merger clause	Section 21.5	Only the terms of the Franchise Agreement are binding (subject to state law) any other promises may not be enforceable. Nothing in the Franchise Agreement or any other agreement is intended to disclaim representations made in this disclosure document.
u.	Dispute resolution by arbitration or mediation	Section 22.7	Except for certain claims, all disputes must be arbitrated in Redding, California (subject to state law).
v.	Choice of forum	Section 22.2	Litigation in state court or judicial district in which we have our principal place of business (subject to state law)
w.	Choice of law	Section 22.1	California law applies (subject to state law)

See Exhibit I for additional California-specific disclosures.

AREA DEVELOPMENT AGREEMENT

Provision		Section in the Area Development Agreement	Summary
a.	Length of the term of the Area Development Agreement	Section 5	The rights granted under the Area Development Agreement expire on the earlier to occur of the actual opening date of the last of the Black Bear Diner restaurants required to be developed pursuant to the Development Schedule or the last day of the last Development Period under the Development Schedule.
b.	Renewal or extension of term		Not Applicable

Provision		Section in the Area Development Agreement	Summary
c.	Requirements for you to renew or extend		Not Applicable
d.	Termination by you		You may terminate under any grounds permitted by law.
e.	Termination by us without cause		Not Applicable
f.	Termination by us with cause	Section 8	If you breach the Area Development Agreement, we will have cause to terminate.
g.	"Cause" defined (defaults which can be cured)	Section 8	Except for defaults in (h) below, you generally have 30 days to cure any defaults contained in the Area Development Agreement.
h.	"Cause" defined (defaults which cannot be cured)	Section 8.1 and 9.1	Non-curable defaults include: bankruptcy-related events, any unapproved transfers, any material misrepresentations in the application for the Development Agreement; conviction of a felony; any unauthorized use of our Marks or Confidential Information; termination of a Franchise Agreement by us for cause or by you without cause; your failure to meet the development obligations. We can terminate the Development Agreement if we have delivered a notice of termination of a Franchise Agreement in accordance with its terms and conditions or you have terminated a Franchise Agreement without cause.
i.	Your obligation on termination/ non-renewal	Section 9	You have no further right to develop or operate any additional Franchised Restaurants; you may continue to own and operate all Franchised Restaurants under any existing Franchise Agreements; you must pay all amounts owed to us.
j.	Assignment of contract by us	Section 7.1	There are no restrictions on our right to assign.
k.	"Transfer" by you definition	Section 7.2	Includes transfer of the Area Development Agreement or changes in ownership of the business entity which owns the development rights.
l.	Our approval of transfer	Section 7.2	Our prior written consent is required.
m.	Conditions for our approval of transfer	Section 7.2	The proposed assignee must meet our criteria for experience, aptitude and financial resources and otherwise meets our standards for developers.

Provision		Section in the Area Development Agreement	Summary
n.	Our right of first refusal to acquire your business	Section 7.4	We may match any offer for your business or an ownership interest in you if you are a business entity.
o.	Our option to purchase your business		Not Applicable
p.	Your death or disability		Not Applicable
q.	Non-competition covenants during the term of the Area Development Agreement	Section 10.1	No diverting any business or customer to any competitor, no acts injurious to the Marks, no owning or operating a restaurant providing similar products or services (subject to state law).
r.	Non-competition covenants after the Area Development Agreement is terminated or expires	Section 10.2	For 2 years no owing interest in or performing services for a restaurant providing products and services similar to those provided by a Black Bear Diner restaurant within the Development Area or within 25 miles of any Black Bear Diner restaurant (subject to state law).
s.	Modification of the Development Agreement	Section 12.5	The Area Development Agreement can only be modified or amended by written agreement signed by both parties.
t.	Integration/merger clause	Section 12.5	Only the terms of the Area Development Agreement are binding (subject to state law) and any other promises may not be enforceable. Nothing in the Area Development Agreement or any other agreement is intended to disclaim representations made in this disclosure document.
u.	Dispute resolution by arbitration or mediation	Section 13.6	Except for certain claims, all disputes must be mediated and then arbitrated in Redding, California (subject to state law).
v.	Choice of forum	Section 13.2	Litigation in state court or judicial district in which we have our principal place of business (subject to state law).
w.	Choice of law	Section 13.1	California law applies (subject to state law).

See i. for additional California-specific disclosures.

ITEM 18
PUBLIC FIGURES

We do not presently use any public figures to promote the sale of Black Bear Diner franchises.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

ANALYSIS OF HISTORICAL GROSS SALES FOR ALL FRANCHISED AND COMPANY-AFFILIATED BLACK BEAR DINER RESTAURANTS THAT WERE OPEN AND OPERATING DURING THE ENTIRE FISCAL YEARS 2025 AND 2024

This analysis contains historical average and median Gross Sales incurred in operating existing Black Bear Diner franchised and company-affiliated Restaurants that were open and operating during the entire 2025 fiscal year ended December 31, 2025 and during the entire 2024 fiscal year ended December 25, 2024. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

As of the fiscal year ended December 31, 2025 there were 97 franchised Restaurants and 72 company-affiliated Restaurants open and operating in the United States. The 2025 fiscal year table excludes 7 franchise Restaurants that were newly opened during the fiscal year ended December 31, 2025 and therefore not open the full fiscal year, 2 franchise Restaurants located inside casinos, and 2 company-affiliated Restaurant that were newly opened during the fiscal year ended December 31, 2025 and therefore not open the full fiscal year.

As of the fiscal year ended December 25, 2024, there were 92 franchised Restaurants and 70 company-affiliated Restaurants open and operating in the United States. The 2024 fiscal year table excludes 3 franchise Restaurants that were newly opened during the fiscal year ended December 25, 2024 and therefore not open the full fiscal year, 3 franchise Restaurants located inside casinos, and 5 company-affiliated Restaurant that were newly opened during the fiscal year ended December 25, 2024 and therefore not open the full fiscal year.

The following tables presents average and median Gross Sales information for company-affiliated and franchise Restaurants during each of the 2025 fiscal year and the 2024 fiscal year. Gross Sales consists of the total sales price of all food products (including take-out, drive-thru or catering) and all other products and services sold by the Black Bear Diner Restaurants, net of discounts and excluding taxes collected directly from customers and paid to taxing authorities.

The company-affiliated Restaurant information is derived from our internal accounting records and is unaudited. The franchised Restaurant sales information in the table is derived from our franchisee's sales reports and is unaudited and unverified. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Current franchisees or former franchisees listed in Exhibits F and G of this Disclosure Document may be one source of information.

Company-Affiliated Restaurants

Fiscal Year	Category	Average Gross Sales per Restaurant during the Fiscal Year	Median Gross Sales per Restaurant During the Fiscal Year	Total Number of Restaurants in Analysis for the Fiscal Year	Number of Restaurants/ Percentage of Restaurants in Category Meeting or Exceeding the Average Amount during the Fiscal Year	Number of Restaurants in Category Meeting or Exceeding the Median Amount During the Fiscal Year
Fiscal Year 2025	**Top 3rd**	$3,579,631	$3,500,845	23	7/30%	12/52%
	Middle 3rd	$2,677,323	$2,658,601	24	12/50%	12/50%
	Bottom 3rd	$2,024,026	$2,009,135	23	11/48%	12/52%
	All	$2,759,141	$2,658,601	70	32/46%	35/50%
Fiscal Year 2024	**Top 3rd**	$3,596,276	$3,494,764	22	10/45%	11/50%
	Middle 3rd	$2,739,446	$2,756,484	21	11/52%	11/52%
	Bottom 3rd	$2,017,677	$2,053,879	22	11/50%	11/50%
	All	$2,785,159	$2,756,484	65	29/45%	33/51%

During fiscal year 2025, the highest Gross Sales amount for the Company-Affiliated Restaurants in the above table was $4,522,797, and the lowest Gross Sales amount for the Company-Affiliated Restaurants in the above table was $1,500,478.

During fiscal year 2024, the highest Gross Sales amount for the Company-Affiliated Restaurants in the above table was $4,626,764, and the lowest Gross Sales amount for the Company-Affiliated Restaurants in the above table was $1,478,223.

Franchised Restaurants

Fiscal Year	Category	Average Gross Sales per Restaurant during the Fiscal Year	Median Gross Sales per Restaurant During the Fiscal Year	Total Number of Restaurants in Analysis for the Fiscal Year	Number of Restaurants/ Percentage of Restaurants in Category Meeting or Exceeding the Average Amount during the Fiscal Year	Number of Restaurants in Category Meeting or Exceeding the Median Amount During the Fiscal Year
Fiscal Year 2025	**Top 3rd**	$3,723,198	$3,762,250	29	15/52%	15/52%
	Middle 3rd	$2,702,799	$2,697,884	30	14/47%	15/50%
	Bottom 3rd	$2,040,150	$2,080,070	29	16/55%	15/52%
	All	$2,820,694	$2,697,884	88	35/40%	44/50%
Fiscal	**Top 3rd**	$3,675,837	$3,647,622	29	13/45%	15/52%

Year 2024	**Middle 3rd**	$2,660,680	$2,677,438	28	16/57%	14/50%
	Bottom 3rd	$2,048,218	$2,089,681	29	17/59%	15/52%
	All	$2,796,472	$2,677,438	86	34/40%	43/50%

During fiscal year 2025, the highest Gross Sales amount for the Franchised Restaurants in the above table was $4,926,019, and the lowest Gross Sales amount for the Franchised Restaurants in the above table was $1,484,266.

During fiscal year 2024, the highest Gross Sales amount for the Franchised Restaurants in the above table was $4,413,004, and the lowest Gross Sales amount for the Franchised Restaurants in the above table was $1,469,335.

We do not have full access to, or full confidence in, cost or EBITDA information that we may receive from time to time from our franchisees so as to have a reasonable basis to include their cost or EBITDA performance information with these Financial Performance Representations.

ANALYSIS OF HISTORICAL GROSS SALES AND SELECTED COST INFORMATION FOR COMPANY-AFFILIATED BLACK BEAR DINER RESTAURANTS DURING FISCAL YEARS 2025 AND 2024

This analysis contains historical Gross Sales and selected cost information incurred in operating certain existing company-affiliated Black Bear Diner Restaurants. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

The Gross Sales and selected cost analysis were prepared based on the results of 70 affiliate owned and operated Black Bear Diner Restaurants that were open and operating during the full 2025 fiscal year ended December 31, 2025 and 65 affiliate owned and operated Black Bear Diner Restaurants that were open and operating during the full 2024 fiscal year ended December 25, 2024.

All of the company-affiliated Black Bear Diner Restaurants in this analysis offer substantially the same products and services that a franchised Black Bear Diner Restaurant will offer. While company-affiliated Black Bear Diner Restaurants in this analysis pay royalties and advertising contributions to us and make minimum local advertising expenditures similar to those required of a franchised Black Bear Diner Restaurant under the Franchise Agreement, the below analysis does not account for those amounts and instead we include a second chart of estimated amounts that you as a franchisee would incur for royalties (4.5% of Gross Sales), advertising contributions (1% of Gross Sales) and minimum local advertising expenditures (1% of Gross Sales) under your Franchise Agreement.

These company-affiliated Black Bear Diner Restaurants are located in 10 different states with the highest concentration in Texas, Arizona and California. We have our headquarters in California and a significant presence, and our affiliates have been operating Restaurants since 1995.

The information contained in this analysis has not been audited and does not reflect all cost information you will incur in operation of your Restaurants.

[chart begins on the following page]

	Fiscal Year 2025		Fiscal Year 2024	
Number of Company-Affiliated Restaurants	70		65	
Gross Sales (1)	Average $2,759,141 Median $2,658,601 Highest $4,522,797 Lowest		Average $2,785,159 Median $2,756,484 Highest $4,626,764 Lowest	
Cost of Goods Sold (2)	Average $774,600 Median $739,843 Highest $1,272,843 Lowest $449,098	Average 28.1% Median 28.1% Highest 31.6% Lowest 26.3%	Average $772,790 Median $751,026 Highest $1,284,091 Lowest $453,099	Average 27.8% Median 27.9% Highest 30.7% Lowest 25.4%
Labor (3)	Average $961,125 Median $945,104 Highest $1,554,673 Lowest $537,931	Average 34.8% Median 35.1% Highest 46.1% Lowest 27.4%	Average $966,715 Median $955,314 Highest $1,527,185 Lowest $526,855	Average 34.7% Median 35.3% Highest 43.7% Lowest 27.0%
4-Wall EBITDA (4) ** These amounts do not include royalties and advertising contributions or minimum local advertising expenditures payable by franchisees. See Note 4*	Average $332,130 Median 295,578 Highest $1,021,852 Lowest -$128,626	Average 12.0% Median 11.5% Highest 22.7% Lowest --7.1%	Average $360,964 Median 364,431 Highest $1,010,810 Lowest -$171,982	Average 13.0% Median 13.3% Highest 22.5% Lowest -9.3%

[Next chart continues on the following page]

Additional *estimated* expenses a franchised Restaurant location would incur are set forth below in the following chart:

	Fiscal Year 2025		***Fiscal Year 2024***	
	Amount	***Amount***	***Amount***	***Amount***
Royalties (5)	*Average $124,161* *Median $119,638*	*Average 4.5%* *Median 4.5%*	*Average $125,332* *Median $124,042*	*Average 4.5%* *Median 4.5%*
Marketing Fund Contribution	*Average $27,591* *Median $27,586*	*Average 1.0%* *Median 1.0%*	*Average $27,852* *Median $27,565*	*Average 1.0%* *Median 1.0%*
Local Advertising	*Average $27,591* *Median $27,586*	*Average 1.0%* *Median 1.0%*	*Average $27,852* *Median $27,565*	*Average 1.0%* *Median 1.0%*

(1) Gross Sales consists of the total sales price of all food products (including take-out, drive-thru or catering) and all other products and services sold by the Black Bear Diner Restaurants, net of discounts and excluding taxes collected directly from customers and paid to taxing authorities.

(2) Cost of Goods Sold consists of food, beverage, and gift shop costs.

(3) Labor consists of all Restaurant-level salaries and wages for salaried and hourly managers and employees, inclusion of taxes and insurance. It does not include corporate level general and administrative expenses.

(4) 4-Wall EBITDA includes the average company-operated diner profit, which includes Gross Sales, net of Cost of Goods Sold, Labor Cost and Operating and Occupancy costs. Operating costs include restaurant cleaning, paper and packaging supplies, repair and maintenance, utilities (excluding pro-rata share of common area utilities), trash removal, software fees, credit card fees, delivery commissions, operating licenses and fees required by state and local agencies and other miscellaneous expenses. Occupancy costs includes land and building rent and other occupancy related costs such as real estate and personal property taxes and insurance along with common area maintenance costs, including the pro-rata share of parking lot, lighting, landscaping and other costs of maintain the common area. As noted above, the 4-Wall EBITDA amount does not account for royalties and advertising contributions or minimum local advertising expenditures. However, these amounts are estimated in the second above chart.

(5) Royalties consists of 4.5% of Gross Sales as defined above.

Some Black Bear Diner Restaurants have achieved the sales and cost results in this analysis. Your individual results may differ. There is no assurance that you will achieve sales or cost results at the levels reflected in this analysis.

Other than the preceding financial performance representation, BBDI, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Chad Corrigan, VP, Franchise Sales & Development, chad.corrigan@blackbeardiner.com; Tel: 530.782.5830, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table #1
Systemwide Outlet Summary
For years 2023 to 2025

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2023	88	91	+3
	2024	91	92	+1
	2025	92	97	+5
Company-Owned	2023	65	65	0
	2024	65	70	+5
	2025	70	72	+2
Total Outlets	**2023**	**153**	**156**	**+3**
	2024	**156**	**162**	**+6**
	2025	**162**	**169**	**+7**

Table #2
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023 to 2025

STATE	YEAR	NUMBER OF TRANSFERS
California	2023	4
	2024	2
	2025	3
Oregon	2023	1
	2024	0
	2025	0
Total Outlets	**2023**	**5**
	2024	**2**
	2025	**3**

Table #3
Status of Franchised Outlets
For years 2023 to 2025

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERM-INATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-OTHER REASONS	OUTLETS AT END OF YEAR
Arizona	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
California	2023	52	3	1	0	0	0	54
	2024	54	0	0	0	0	1	53
	2025	53	1	0	0	0	0	54
Colorado	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	2	0	0	0	0	6
Idaho	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Illinois	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Kansas	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Montana	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Nevada	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	1	0	0	0	1	4
Oregon	2023	11	0	0	0	0	0	11
	2024	11	0	0	0	0	1	10
	2025	10	1	0	0	0	0	11
Texas	2023	3	1	0	0	0	0	4
	2024	4	1	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Utah	2023	6	1	1	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	1	5
Washington	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	1	0	0	0	0	6
Total	**2023**	**88**	**6**	**2**	**0**	**0**	**1**	**91**
	2024	**91**	**3**	**0**	**0**	**0**	**2**	**92**
	2025	**92**	**7**	**0**	**0**	**0**	**2**	**97**

Table #4
Status of Company Owned Outlets[1]
For Years 2023 to 2025

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
Arizona	2023	12	0	0	0	0	12
	2024	12	0	0	0	0	12
	2025	12	0	0	0	0	12
Arkansas	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
California	2023	16	0	0	0	1	15
	2024	15	0	0	0	0	15
	2025	15	0	0	0	0	15
Idaho	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3
Kansas	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Missouri	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Nevada	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4
Oklahoma	2023	5	0	0	1	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4
Texas	2023	13	2	0	0	0	15
	2024	15	5	0	0	0	20
	2025	20	2	0	0	0	22
Utah	2023	7	0	0	0	0	7
	2024	7	0	0	0	0	7
	2025	7	0	0	0	0	7
	2023	**65**	**2**	**0**	**1**	**1**	**65**
	2024	**65**	**5**	**0**	**0**	**0**	**70**
	2025	**70**	**2**	**0**	**0**	**0**	**72**

[1] All Outlets are owned by our affiliate Bear Tracks Holdings LLC

Table #5
Projected Openings as of December 31, 2025, For 2026

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Arizona	1	0	0
California	2	2	0
Colorado	0	0	0
Illinois	0	0	0
Missouri	1	1	0
Nevada	1	1	1
Oregon	0	0	0
Texas	0	0	2
Washington	1	0	0
Wisconsin	1	1	0
Totals	**7**	**5**	**3**

The names, addresses and telephone numbers of all then current Black Bear Diner franchisees as of our last fiscal year ended December 31, 2025 are attached to this disclosure document as Exhibit F. The name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, cancelled, 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 the franchisor within 10 weeks of the disclosure document issuance date appear at Exhibit G. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Black Bear Diner franchise system. 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.

There are no trademark-specific organizations that are associated with the Black Bear Diner franchise system.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit E are BBDI LLC's audited financial statements for its fiscal years ended on December 31, 2025, December 25, 2024 and December 27, 2023.

ITEM 22
CONTRACTS

Attached as Exhibits to this disclosure document are the following contracts and their attachments:

1.	Franchise Agreement	Exhibit B
2.	Area Development Agreement	Exhibit C
3.	Form of General Release	Exhibit J

ITEM 23
RECEIPT

The Receipt pages are located on the last two pages of this disclosure document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS

California

Agent for Service of Process
Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(213) 576-7505 or (866) 275-2677
Website: http://www.dfpi.ca.gov/
Email: Ask.DFPI@dfpi.ca.gov

State Administrator's Office
Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(213) 576-7505 or (866) 275-2677
Website: http://www.dfpi.ca.gov/
Email: Ask.DFPI@dfpi.ca.gov

Hawaii

Hawaii Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

Agent for Service of Process
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

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

Indiana

Agent for Service of Process:
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

State Administrator's Office:
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

Agent for Service of Process
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

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

Michigan

Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, Michigan 48913
(517)373-7117

State Administrator's Office
North Dakota Securities Commission
State Capitol, 5th Floor
600 East Boulevard
Bismarck, North Dakota 58505
(701)328-4712

Minnesota

Agent for Service of Process
Commissioner, MN Department of Commerce
85 7th Place East; Suite 280
St. Paul, Minnesota 55101

State Administrator's Office
Minnesota Department of Commerce
85 7th Place East; Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

New York

Agent for Service of Process:

Secretary of State of New York
99 Washington Avenue
Albany, NY 12231
(518) 473-2492
State Administrator's Office:

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

North Dakota

North Dakota Insurance & Securities Department
600 East Boulevard Avenue, Dept. 401
Bismarck, North Dakota 58505
Phone 701-328-2910

Insurance Commissioner
North Dakota Insurance & Securities Department
600 East Boulevard Avenue, Dept. 401
Bismarck, North Dakota 58505
Phone 701-328-2910

Rhode Island

Agent for Service of Process
Director of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903

State Administrator's Office
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903
(401)222-3048

South Dakota

Agent for Service of Process
Director of South Dakota Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501

State Administrator's Office
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501

Virginia

Agent for Service of Process:
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

State Administrators Office
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804)371-9051

Washington

Agent for Service of Process
Dept. of Financial Institutions
150 Israel Rd SW
Tumwater, Washington 98501

State Administrators Office:
Securities Division,
Department of Financial Institutions
PO Box 41200
Olympia, WA 98504-1200

Wisconsin

Agent for Service of Process
Commissioner of Securities
101 East Wilson Street, 4th Floor
Madison, Wisconsin 53702

State Administrators Office:
Office of the Commissioner of Securities
101 East Wilson Street, 4th Floor
Madison, Wisconsin 53702
(608)266-3431

EXHIBIT B TO THE DISCLOSURE DOCUMENT

BBDI LLC

FRANCHISE AGREEMENT

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EXHIBITS

A. APPROVED LOCATION
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D. GUARANTEE AND ASSUMPTION OF OBLIGATIONS
E. AUTHORIZATION AGREEMENT FOR AUTOMATIC DEBIT

BBDI LLC

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is made this ___ day of _____, 20___, by and between BBDI LLC, a California limited liability company, having its principal place of business at 280 Hemsted Drive, Suite 200, Redding, California 96002 ("Franchisor"), and _____ _____, whose principal address is _____("Franchisee").

RECITALS

Franchisor and its affiliates have developed a system ("System") relating to the establishment and operation of casual, family-style restaurants serving breakfast, lunch and dinner anytime during business hours, featuring menu items of large portions with excellent perceived customer value, all in a fun and friendly atmosphere with a distinctive black bear theme; and

Franchisor identifies the System by means of certain names and marks, including "Black Bear Diner," as well as other tradenames, service marks, trademarks, logos, insignias, symbols and designs (the "Marks") as designated by Franchisor or as Franchisor may designate in the future for use with the System; and

The distinguishing characteristics of the System include, among other things, a distinctive exterior and interior trade dress utilizing specially designed décor, furniture, fixtures and accessories; an on-premises gift shop known as a "Black Bear Diner Gift Shop"; recipes and menu items; food preparation methods and food products; operating standards and food, beverage and equipment specifications; operational, management and record-keeping procedures also referred to as the "Bear Necessities Quality Control Program"; advertising and marketing techniques and trade secrets and confidential information; all of which may be changed, improved, and further developed by Franchisor from time to time;

Franchisor grants to qualified persons the right to operate a Black Bear Diner restaurant and Franchisee desires to obtain a license to operate a Black Bear Diner restaurant ("Franchised Restaurant") at the location specified in this Agreement, subject to the terms and conditions of this Agreement and in strict compliance with the standards and specifications established by Franchisor; and

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

"Agreement" means this agreement entitled "Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Location" means the premises for the operation of the Franchised Restaurant selected by Franchisee and approved by Franchisor pursuant to Section 5 and as more particularly described in Section 2.2 hereof;

"Approved Supplier(s)" has the meaning given to such term in Section 13.3 hereof;

"**Artificial Intelligence**" means a field of science concerned with building computers and machines that can reason, learn, and act in such a way that would normally require human intelligence or that involves data whose scale exceeds what humans can analyze.

"Competitive Business" means any restaurant business which provides similar food products as those provided by a Black Bear Diner restaurant or whose method of operation or trade dress is similar to that employed in the System; provided, however, that the term "Competitive Business" shall not apply to: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) the ownership for investment purposes of less than five percent (5%) of the stock of any publicly-traded corporation;

"Confidential Information" means the recipes, ingredients, trade secrets, methods of food preparation, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques, and knowledge of and experience in operating a Black Bear Diner restaurant;

"Electronic Depository Transfer Account" means an account providing Franchisor with access to electronically withdraw any funds due Franchisor;

"Franchise" and variations thereof as used in this Agreement means the right granted to Franchisee by Franchisor to use the System and Marks in the operation of a Franchised Restaurant;

"Franchise Fee" has the meaning given to such term in Section 3.1 hereof;

"Franchisee" means the individual, corporation, limited liability company, partnership or other business entity who or which enters into this Agreement with Franchisor.

"Franchisor" means BBDI LLC;

"General Manager" means the individual who devotes his or her full-time and best efforts to the operations and is responsible for the day-to-day management of the Franchised Restaurant. If Franchisee is a business entity, Franchisor may require that the General Manager be an owner, officer or other individual selected by Franchisee;

"Gift Shop Products" means certain products including specified Trademarked Products and other products which Franchisor has authorized for resale from the Black Bear Diner Gift Shop located within the Franchised Restaurant.

"Gross Sales" means the total amount of all revenues Franchisee receives from the sale of all menu items, Gift Shop Products, banquet and catering services and from goods and services from all sources in any way connected with the Franchised Restaurant whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance. Gross Sales does not include sales tax collected from customers and paid to the appropriate taxing authorities, discounts deducted from the prices charged and the price of employees' meals actually reported and paid;

"Local Advertising" has the meaning given to such term in Section 11.1 hereof;

"Manual" means all operations, administration and managers manuals and all books, computer programs, compact discs, pamphlets, memoranda and other electronic media and/or written materials prepared by or on behalf of Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor from time to time setting out the standards, methods, procedures and specifications of the System;

"Marketing Fund" means the marketing, advertising and promotion fund established by Franchisor pursuant to Section 11.2 hereof;

"Marketing Fund Contribution" has the meaning given to such term in Section 11.2 hereof;

"Protected Area" has the meaning given to such term in Section 2.4 hereof;

"Personal Guarantors" means those persons who are required to sign the Guarantee and Assumption of Obligations which shall include: all partners of the entity that execute this Agreement, (if the entity is a limited or general partnership); all shareholders of the entity that executes this Agreement (if the entity is a corporation); and all members of the entity that executes this Agreement (if the entity is a limited liability company);

"Royalty Fee" has the meaning given to such term in Section 3.2 hereof;

"**Social Media**" means any and all existing or future forms of electronic communication, whether for business or personal use (including via Internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos) through which users create or use online networks or communities (including but not limited through online communities such as Facebook, Twitter, Instagram, SnapChat, LinkedIn, YouTube, Yelp or Wikipedia and other similar content sharing outlets) to share information, ideas, personal messages, and other online content.

"**Social Media Site**" means website, listing, profile or other identifying posting on a Social Media Site.

"Trademarked Products" mean the products developed by Franchisor generally bearing the Marks including items such as stuffed bears, t-shirts, coffee mugs and tumblers, various gift items, bags, key chains, hats and other items.

2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1 Grant of Franchise

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right, license and privilege to operate one (1) Franchised Restaurant under the Marks and to use in connection therewith the System at the Approved Location set forth in Exhibit A to this Agreement.

2.2 Approved Location

The Franchise granted by this Agreement is limited to a single Franchised Restaurant at the Approved Location. The Franchised Restaurant must be located at the Approved Location. Franchisee shall not relocate the Franchised Restaurant without the prior written consent of

Franchisor. Franchisee has no rights under this Agreement to use, and Franchisee agrees not to use, the System or the Marks at any other location, without Franchisor's express written consent.

2.3 Approved Location Not Determined

If a particular site has not been selected and approved at the time this Agreement is signed, Franchisee will be solely and completely responsible for selecting an appropriate location for the Franchised Restaurant. After Franchisor has approved a location for the Franchised Restaurant, Franchisor will unilaterally modify Attachment A and the specific address of that location will automatically become the Approved Location as if originally set forth in Attachment A.

2.4 Protected Area

Subject to the provisions of this Agreement, including Section 2.5 below, Franchisor will not operate or license others to operate a Black Bear Diner restaurant within a three (3) mile radius from the Approved Location, otherwise known as the "Protected Area."

2.5 Franchisor's Reservation of Rights

Notwithstanding Section 2.4 above, Franchisee acknowledges that the Franchise granted under this Agreement is non-exclusive and Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to: (1) own, acquire, establish and operate, and to license others to establish and operate, Black Bear Diner restaurants at any location outside of the Protected Area; (2) own, acquire, establish and operate, and license others to establish and operate, other businesses including similar restaurant concepts, using other trademarks, service marks and commercial symbols at any location either within or outside of the Protected Area; (3) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, any products authorized for use and resale at the Franchised Restaurant, including the Gift Shop Products or any other products which bear any trademarks including the Marks, through alternative channels of distribution including, but not limited to, grocery stores, convenience stores, mail order and Internet sales to customers wherever located, including customers that may be located within or outside the Protected Area; and (4) engage in any activities not expressly forbidden by this Agreement.

3. FEES

In addition to other fees as may be required under the terms of this Agreement, Franchisee agrees to pay Franchisor the following fees and amounts at the times specified herein:

3.1 Initial Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a non-refundable Franchise Fee to Franchisor of _____ DOLLARS ($_____) at the time of signing the Franchise Agreement. The Franchise Fee shall be deemed fully earned at the time paid and is non-refundable, except as otherwise provided in Section 8.3 of this Agreement. The Franchise Fee is earned upon receipt and is payment, in part, for costs and expenses incurred by Franchisor in granting the franchise.

3.2 Weekly Royalty Fee

Franchisee shall pay without offset, credit or deduction of any nature to Franchisor, so long as this Agreement shall be in effect, a weekly Royalty Fee equal to four and one-half percent (4.5%) of Gross Sales. If any taxes, fees or assessments are imposed on Franchisor by reason of its acting as franchisor or licensing the Marks under this Agreement, then Franchisee shall reimburse Franchisor for the amount of those taxes, fees or assessments within 30 days after receipt of an invoice from Franchisor.

3.3 Marketing Fund Contribution

Franchisor has established and administers a Black Bear Diner Marketing Fund as provided in Section 11.2. Franchisor reserves the right to require Franchisee to contribute an amount not to exceed three percent (3%) of the Gross Sales of the Franchised Restaurant for each week to the Marketing Fund ("Marketing Fund Contribution"). Currently, Franchisor requires Franchisee to contribute one percent (1%) of its Gross Sales to the Marketing Fund. Franchisor agrees to provide Franchisee with thirty (30) days written notice prior to increasing the amount of the Marketing Fund Contribution. The Marketing Fund Contribution shall be made at the same time and in the same manner as the Royalty Fee payment.

3.4 Taxes

In addition to the Royalty Fee payment, Franchise Fee and other amounts due under the terms of this Agreement, Franchisee shall pay to Franchisor an amount equal to any sales, gross receipts, excise tax or similar tax imposed on Franchisor as a result of the operation of the Franchised Restaurant, unless the tax is an income tax (or its equivalent) otherwise payable by Franchisor. In no circumstances shall Franchisee have any obligation hereunder for any tax assessed which is based upon the net income of Franchisor.

3.5 Electronic Transfer

Franchisor requires all Royalty Fee payments, Marketing Fund Contributions, product purchases and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. Franchisee agrees to establish an account providing for electronic funds transfer, and Franchisor shall have access to such account for the purpose of receiving amounts due to Franchisor from Franchisee. Franchisee agrees to execute any documents as Franchisor's or Franchisee's bank requires in order to implement the Electronic Deposit Transfer Account. Franchisee agrees not to close the Electronic Deposit Transfer Account without Franchisor's approval. A copy of Franchisor's current form of authorization known as the "Authorization Agreement For Automatic Debit" is included as Exhibit E.

3.6 Interest

All Royalty Fee payments, Marketing Fund Contributions, product purchases and other amounts due Franchisor that are not received within five (5) days after the due date, shall bear interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by applicable law, whichever is lower, from the date payment is due until the date payment is received.

3.7 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fee payments, Marketing Fund Contributions, purchases from Franchisor, interest or any other indebtedness.

3.8 Payment of Additional Fees

Franchisee shall pay such other fees or amounts described in this Agreement.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term that begins when Franchisee signs the Franchise Agreement and expires 10 years from the date Franchisee actually open Franchisee's Franchised Restaurant ("Initial Term"), unless terminated earlier in accordance with its terms.

4.2 Renewal Term

Franchisee shall have the right to acquire a successor franchise at the expiration of the initial term for an additional term of ten (10) years ("Renewal Term"), provided the following conditions must have been fulfilled and remain true as of the last day of the Initial Term of this Agreement:

(a) Franchisee has, during the entire term of this Agreement, substantially complied with all its provisions and is not in default at time of renewal;

(b) Franchisee shall have the right to remain in possession of the Approved Location for the duration of the Renewal Term;

(c) Franchisee shall make capital expenditures necessary to remodel, modernize and redecorate the Franchised Restaurant so that the Franchised Restaurant reflects the then-current physical appearance and image for a new Black Bear Diner restaurant;

(d) Franchisee has given notice to Franchisor of its intent to renew not less than nine (9) months nor more than twelve (12) months prior to the end of the Initial Term;

(e) Franchisee shall execute and deliver Franchisor's then-current form of franchise agreement to Franchisor. The new franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a different percentage Royalty Fee and Marketing Fund Contribution; provided, however, Franchisee shall not be required to pay the then-current Franchise Fee;

(f) Franchisee has complied with Franchisor's then-current training requirements for franchisees and their employees;

(g) Franchisee pays a renewal fee of $5,000 at time of signing the then-current form of franchise agreement; and

(h) Franchisee has executed a general release of any and all claims against Franchisor and any affiliate, and their respective officers, directors, agents, and employees, arising out of or related to this Agreement, or any related agreement.

5. SELECTION AND DEVELOPMENT OF APPROVED LOCATION

5.1 Site Selection

If the site for the Approved Location has been located by Franchisee and approved by Franchisor upon execution of this Agreement, then such Approved Location will be identified in Exhibit A to this Agreement. Otherwise, Franchisee agrees to locate a suitable site for the Approved Location within 60 days after execution of this Agreement. In the event a site for the Approved Location has not been approved by Franchisor before the expiration of the 60 day period, then Franchisor may terminate this Agreement immediately on notice without any need for a cure opportunity. Franchisor shall provide Franchisee with general guidelines and assistance in selecting a site for the Franchised Restaurant. If requested by Franchisee, then a representative of Franchisor will make a visit for the purpose of assisting Franchisee in evaluating a single or alternative prospective site(s). Prior to entering into a commitment to purchase or lease a prospective site, Franchisee shall obtain Franchisor's written approval, which approval shall not be unreasonably withheld.

Franchisor does not represent that it or any of its employees have special expertise in selecting sites or that the Franchised Restaurant will be profitable or successful as a result of Franchisor's approval. Franchisee acknowledges that it is ultimately responsible for finding and selecting a site for the Approved Location.

5.2 Lease of Approved Location

Franchisee agrees it will not enter into any agreement to purchase or lease a site for the Approved Location without first obtaining Franchisor's written approval thereof. Such approval shall not be unreasonably withheld, but Franchisor shall be entitled to be sure that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. If the Franchisee leases the Approved Location, then the Franchisee will use its best efforts to negotiate a lease term that coincides with the Term of this Agreement.

Franchisee shall take all actions necessary to maintain the lease of the Approved Location in effect while this Agreement is in effect. Any default for which said lease may be terminated shall also be deemed a default hereunder, and the time to cure the same shall expire when said lease is terminated.

Franchisor may require that the lease for the Approved Location be collaterally assigned to Franchisor pursuant to the terms of its standard collateral assignment of lease form, to secure the performance by Franchisee of the obligations under this Agreement.

Franchisor's review of the lease or any advice or recommendation offered by Franchisor shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location or an expression of Franchisor's opinion regarding the terms of the lease.

If Franchisee does not consummate a lease for the Approved Location within 180 days from the date of this Agreement, Franchisor shall have the right terminate this Agreement immediately on notice without any need for a cure opportunity.

5.3 Development of Approved Location

After Franchisee has selected and obtained Franchisor's approval of the site for the Franchised Restaurant, Franchisee agrees to develop the site in accordance with the following procedures:

Franchisor will provide to Franchisee copies of Franchisor's standard plans and specifications for the design and layout of the exterior and interior of a typical Black Bear Diner restaurant including fixtures, equipment, furnishings, décor and signs. Franchisee assumes all cost, liability and expense for the construction, renovation or remodeling at the Approved Location. If any alterations are required to be made to the standard plans and specifications, such alterations must be approved by Franchisor in writing before any work is begun on the Franchised Restaurant. It shall be Franchisee's responsibility to submit the final plans and layout to the Franchisor for written approval. Nothing in this section shall be construed as an endorsement or guarantee of the conformity of such plans to applicable local, state or federal building or safety codes. Franchisee agrees that it is responsible for the accuracy of all drawings, plans and specifications used for the construction, renovation or remodeling of the Franchised Restaurant.

Franchisee may not begin site preparation or construction prior to receiving written notification from Franchisor that it has approved the plans. All construction, renovation or remodeling must be in accordance with the plans approved by Franchisor and must comply in all respects with applicable laws. The Franchised Restaurant may not open if construction, renovation or remodeling has not been performed in substantial compliance with plans approved by Franchisor. If at any time Franchisor determines (prior to opening date) that Franchisee has not constructed, renovated or remodeled the Franchised Restaurant in accordance with the plans and specifications approved by Franchisor, Franchisor shall, in addition to any other remedies, have the right to obtain an injunction from a court of competent authority prohibiting Franchisee from opening the Franchised Restaurant.

5.4 Décor Package; Carved Bear Package

Franchisee agrees that Franchisor, Franchisee and other Black Bear Diner franchisees will benefit from the maintenance of reasonable standards for appearance and trade dress including prominent display of the Marks and the distinctive black bear trade dress. The Approved Location and the Franchised Restaurant will conform to all specifications for decor, furniture, fixtures, equipment, exterior and interior decorating designs and color schemes established by the Franchisor. The Franchisee will obtain and pay for the decor, furniture, fixtures, equipment, exterior and interior decorating designs and color schemes, inventory and supplies specified by the Manual or otherwise in writing by the Franchisor used by the Franchisee for the operation of its Black Bear Diner restaurant. All decor, furniture, fixtures, equipment, exterior and interior decorating designs and color schemes used in the Franchisee's Black Bear Diner restaurant must be installed and located in accordance with the floor plans approved by the Franchisor, and must conform to the quality standards and uniformity requirements established by the Franchisor. Franchisee agrees to purchase from Franchisor's designated supplier, which may include Franchisor or its affiliates, certain items necessary for the interior decoration of the Franchised Restaurant ("Décor Package") consisting of decorations including framed bear posters,

photographs of local historical sites, photographs of local school activities, wallpaper featuring the black bear theme and other related items. A complete list of items included in the Décor Package is included in Exhibit B to this Agreement. In addition, Franchisee agrees to purchase from Franchisor's designated supplier, which may include Franchisor or its affiliates certain wood bear images featuring a rustic hand-carved of bears in various settings ("Carved Bear Package"). A complete list of the items included in the Carved Bear Package is included in Exhibit C to this Agreement.

5.5 Pre-conditions to Opening; Opening Deadline

Franchisee expressly acknowledges and agrees that a pre-condition to opening the Black Bear Diner restaurant shall be the Franchisor's written authorization to open, which authorization shall be given only upon Franchisee's completing, to Franchisor's satisfaction, (i) construction, renovation and remodeling of the Approved Location and Franchised Restaurant., (ii) training as required by Section 8 of this Agreement and (iii) hiring and staffing to at least the minimum levels required by Franchisor from time to time. In an effort to obtain Franchisor's authorization to open and begin operation of the Franchised Restaurant, Franchisee agrees to notify Franchisor on such form as Franchisor may prescribe verifying that all pre-opening obligations have been completed in compliance with this Agreement.

Once Franchisor has approved the site for the Franchised Restaurant, Franchisee has 365 days to actually open and begin operating the Franchised Restaurant. If Franchisee fails to open and begin operating the Franchised Restaurant within 365 days after Franchisor has approved the site for the Franchised Restaurant, Franchisor has the right to terminate the Agreement immediately on notice without any need for a cure opportunity. Further, in all cases, Franchisee must begin operating the Franchise Agreement within 500 days from the effective date of this Agreement.

5.6 Relocation

Franchisee may, with the prior written approval of the Franchisor, relocate the Approved Location if the proposed new location does not compete with any Black Bear Diner restaurant operated by Franchisor or any other Black Bear Diner franchisee and the proposed new location is within the Franchisee's Protected Area. The new location of the Franchised Restaurant, including the real estate and the building, must comply with all applicable provisions of this Agreement and with the Franchisor's then-current image, decor and specifications. Within 10 days after receipt by the Franchisee of the Franchisor's written approval to relocate the Approved Location, the Franchisee will pay to the Franchisor a Relocation Fee of $5,000.

5.7 Remodeling, Repairs and Maintenance

At Franchisor's request, but not more often than once every five years, unless sooner required by the lease for the Approved Location, Franchisee shall refurbish the Franchised Restaurant to conform to the then-current building design, trade dress, and color schemes for a new Black Bear Diner restaurant. Such refurbishment may require expenditures by Franchisee on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements. Franchisee agrees to maintain its Franchised Restaurant consistent with its own high standards as well as with Franchisor's standards as set forth in the Manual. Franchisee will, at its expense, repair, maintain, paint and keep the Franchised Restaurant and Approved Location in an attractive, clean and sanitary condition and make repairs or replacements required because of wear and tear, and agrees to have complete food safety audits

performed at the Franchised Restaurant at such times (currently at least 3 times per calendar year) by such approved vendors as may be set forth in the Manual from time to time.

6. MARKS

6.1 Ownership

Franchisor is the owner or licensee of the Marks licensed to Franchisee by this Agreement. Franchisee acknowledges that its right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor during the term of the Franchise. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor and its affiliates. This Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

6.2 Limitations on Use

Franchisee agrees that it will use the Marks as the Franchised Restaurant's sole identification, and that it will not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to Franchisee), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a Website, or (5) in any other manner that Franchisor has not expressly authorized in writing.

Franchisee agrees to display the Marks prominently as prescribed by Franchisor at the Franchised Restaurant and on menus, forms, advertising, supplies, and other designated materials. Franchisee agrees to give the notices of trade and service mark registrations that Franchisor specifies and to obtain any fictitious or assumed name registrations required under applicable law.

6.3 Notification of Infringements and Claims

If there are any claims by any third party that its rights to any or all of the Marks are superior to those of the Franchisor and if the attorneys for the Franchisor are of the opinion that such claim by a third party is legally meritorious, or if there is an adjudication by a court of competent jurisdiction that any party's rights to the Marks are superior to those of the Franchisor, then upon receiving written notice from Franchisor, Franchisee will immediately adopt, implement and use the changes and amendments to the Marks that are specified by Franchisor. If required, Franchisee will immediately cease using the Marks specified by the Franchisor, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols designated by the Franchisor in writing at the Approved Location in connection with the operations, advertising, marketing and promotion of the Franchised Restaurant. Franchisee will not make any changes or amendments whatsoever to the Marks or the System unless specified or approved in advance by the Franchisor in writing.

6.4 Discontinuance of Use

If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisee to modify or discontinue use of the Marks, then Franchisor will reimburse Franchisee for its reasonable direct expenses in substituting new trademarks, trade names, service marks, logos, designs and commercial symbols designated by the Franchisor; provided, however, that Franchisor shall not be obligated to reimburse Franchisee for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

6.5 Right of Inspection

In order to preserve the validity and integrity of the Marks, Franchisor and/or its representatives shall have the right to enter upon the Approved Location at any time for the purpose of conducting inspections and verifying Franchisee's compliance with this Agreement and the policies and procedures outlined in the Manuals including the manner in which Franchisee is rendering its services and conducting its activities and operations and to inspect ingredients, menu items, equipment, accessories, products, supplies, reports, forms and documents and related data to make certain that the Franchised Restaurant is being operated in accordance with the quality control provisions and performance standards established by Franchisor. Franchisee shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its representatives and without limiting Franchisor's other rights under this Agreement, Franchisee shall take such steps as may be necessary to immediately correct any deficiencies during any such inspection.

7. CONFIDENTIAL INFORMATION

7.1 Non-Disclosure of Confidential Information

Franchisee acknowledges and expressly agrees that (i) as between Franchisor and Franchisee, Franchisor is the sole owner of all Confidential Information, (ii) the Confidential Information now and hereafter provided or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the recipes and the contents of the Manual) are confidential trade secrets of Franchisor, (iii) such Confidential Information is being imparted to Franchisee only by reason of its special status as a Franchisee, (iv) the Confidential Information is not generally known to the food industry or public at large, (v) Franchisee shall acquire no interest in the Confidential Information, other than the right to utilize it during the term of this Agreement in the development and operation of the Franchised Restaurant, (vi) such Confidential Information shall be disclosed only to personnel of Franchisee on a "need to know basis", (vii) the use or duplication of the Confidential Information except as expressly permitted by this Agreement shall constitute an unfair method of competition and that Franchisor shall suffer irreparable injury thereby, and (iv) Franchisee shall adopt and implement all procedures as prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information. For the avoidance of doubt, Franchisee is not precluded by this Agreement from contacting or otherwise engaging with governmental authorities regarding the franchise. However, if/when Franchisee receives a valid legal order or is otherwise required by applicable laws to disclose any of Franchisor's Confidential Information to any governmental agency or court, Franchisee should promptly notify Franchisor in writing regarding such receipt of the request and provide a copy of the request and all relevant information regarding the request as it pertains to Franchisor's

Confidential Information, including any specific required date for dissemination. Before complying with the request, subject to any specific disclosure deadline in the request, Franchisee should provide Franchisor at least 14 days' time to review the request and, at Franchisor's election and cost, permit Franchisor to seek a protective order or other remedy with the requesting party. Franchisee must provide Franchisor with reasonable assistance with any such action Franchisor elects to undertake. If Franchisor elects not to contest the request or if Franchisor is unsuccessful with its efforts and Franchisee remains legally compelled to make such disclosure, then Franchisee may do so, but Franchisee should: (a) only disclose that portion of the Confidential Information that it is required to disclose; (b) use reasonable efforts to ensure that such Confidential Information is afforded confidential treatment; and (c) concurrently provide Franchisor a copy of all information provided to the governmental authority.

7.2 Additional Developments

All ideas, concepts, techniques, or materials relating to a Black Bear Diner restaurant, whether or not protectable intellectual property and whether created by or for Franchisee, must be promptly disclosed to Franchisor and will be deemed to be the exclusive property of Franchisor, part of the franchise system, and works made-for-hire for Franchisor. To the extent that any item does not qualify as a "work made-for-hire", by this paragraph Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and agrees to take whatever action (including signing assignment or other documents) as requested to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the item.

7.3 Confidentiality Agreements with Certain Individuals

Franchisor reserves the right to require that Franchisee enter into confidentiality agreements with certain individuals including Franchisee's shareholders, officers, directors, partners, employees, members, managers, and spouses of each pursuant to a form of agreement as approved by Franchisor.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor will provide an initial training program for the Franchisee owner and Franchisee's General Manager ("Franchisee Managers"), unless otherwise noted in this Agreement. The initial training program consists of on-the-job training of approximately three hundred twenty (320) hours over eight (8) weeks and will be supplemented with classroom and/or online training of approximately fifteen (15) to thirty (30) hours. The initial training program is structured to provide practical on-the-job training in the operation of a Black Bear Diner restaurant and will include training on maintaining brand standards in subjects such as food preparation, marketing, customer service techniques, equipment maintenance, point-of-sale system and grand opening. All Franchisee Managers are required to attend and complete the initial training program to Franchisor's satisfaction. Except for the grand opening training module, Franchisor conducts the initial training program at one of its affiliate-owned Black Bear Diner restaurants as designated by Franchisor. Subject to mutual agreement of Franchisor and Franchisee, all or part of the initial training may be conducted at an alternate franchisee or Franchisor-owned Black Bear Diner restaurant. All expenses incurred by Franchisee Managers in attending such program including, but not limited to, travel costs, room and board expenses and salaries, shall be the sole responsibility

of Franchisee. Franchisor reserves the right to revise, modify or alter the initial training program on a case-by-case basis based on the requirements or qualifications of any particular franchisee.

Notwithstanding the foregoing, if Franchisee and its affiliates or related parties have at least 3 open and operating Black Bear Diner restaurants (as determined by Franchisor), Franchisor can require to Franchisee to seek and obtain certification from Franchisor for one or more of Franchisee's or its affiliates' or related parties' Black Bear Diner restaurants to become a certified training restaurant for Franchisee and its affiliates and related parties to conduct some or all of Franchisor's initial training program for the Franchised Restaurant and any other new Black Bear Diner restaurants, at Franchisee's cost.

8.2 Opening Assistance (check applicable)

_____ If this Agreement pertains to the first or second Black Bear Diner restaurant operated by Franchisee or its affiliates, then, in conjunction with, and prior to, the beginning of operation of the Franchised Restaurant, Franchisor shall make available to Franchisee, at Franchisor's expense, for approximately fourteen (14) days, six (6) to ten (10) of Franchisor's opening team representatives, experienced in the System, for the purpose of providing general assistance and guidance in the opening and initial operations of the Franchised Restaurant.

_____ If this Agreement pertains to the third Black Bear Diner restaurant operated by Franchisee or its affiliates, then, in conjunction with, and prior to, the beginning of operation of the Franchised Restaurant, Franchisor shall make available to Franchisee, at Franchisor's expense, for approximately fourteen (14) days, three (3) to five (5) of Franchisor's opening team representatives, experienced in the System, for the purpose of providing general assistance and guidance in in the opening and initial operations of the Franchised Restaurant.

_____ If this Agreement pertains to the fourth or subsequent Black Bear Diner restaurant operated by Franchisee or its affiliates, then, in conjunction with, and prior to, the beginning of operation of the Franchised Restaurant, Franchisor shall make available to Franchisee, at Franchisor's expense, for approximately fourteen (14) days, one (1) to two (2), depending on Franchisee's acquired level of proficiency, of Franchisor's opening team representatives, experienced in the System, for the purpose of providing general assistance and guidance in in the opening and initial operations of the Franchised Restaurant.

Franchisor will determine whether other Black Bear Diner restaurants operated by Franchisee or its affiliates and related parties count for purposes of determining the initial training under this Agreement, regardless of whether such related parties operate under a single franchisee entity or multiple affiliated franchisee entities.

Franchisee agrees to provide Franchisor with a proposed projected opening date (the "Projected Opening Date") for its Franchised Restaurant that is at least forty-five (45) into the future. Subject to availability of Franchisor's opening team representatives, Franchisor will confirm as to whether the proposed date is acceptable and, if so, make certain monetary and other commitment in order to provide Franchisee with opening assistance on and around the Projected Opening Date. These commitments typically include incurring expenses for travel and lodging arrangements which may or may not be fully or partially refundable or subject to change. In the event that Franchisee requests that Franchisor reschedule the Projected Opening Date and Franchisor agrees to do so, then Franchisee agrees that it will be liable for and agrees to reimburse

Franchisor for its costs including, but not limited to, travel and lodging expenses resulting from Franchisor having rescheduled the Projected Opening Date.

8.3 Failure to Complete Initial Training Program

In the event the Franchisee's General Manager fails to complete the initial training program or training modules to Franchisor's reasonable satisfaction, then Franchisee shall have the right to substitute a General Manager who must complete the initial training to Franchisor's reasonable satisfaction. Franchisee shall pay Franchisor's then current cost of training, if any, in respect of such substitute Franchisee Manager. Franchisee acknowledges that the initial training and other training provided by Franchisor is designed to protect the Black Bear Diner brand and reputation, and is not designed to control the day-to-day operation of the Franchised Restaurant.

8.4 Substitute General Manager

If, after beginning operations, Franchisee hires a substitute General Manager, the substitute General Manager must complete the initial training program to Franchisor's satisfaction within sixty (60) days of hire. Franchisee agrees to pay the then-current initial training fee and is also responsible for all travel and living expenses.

8.5 Additional Training, Franchisee Convention and General Manager Training Meeting

Franchisee, Franchisee's General Manager and such other restaurant personnel as Franchisor shall designate shall attend such additional training programs and seminars as Franchisor may offer from time to time, if Franchisor requires such attendance. Such training and seminars may relate to new techniques, marketing, accounting and general operating procedures. Attendance at additional training programs and seminars shall be at Franchisee's sole expense including, without limitation, travel costs, room and board expenses and employee salaries.

Franchisor may sponsor an annual convention for its franchisees known as the Black Bear Diner Franchise Convention, at which seminars, workshops and other training may be conducted at a location designated by Franchisor. For each year that Franchisor holds the Convention, Franchisee or Franchisee's General Manager (or agreed upon upper level managerial employee), if Franchisee is a business entity, is required to attend. Attendance at the Convention will not be required for more than three (3) days during any calendar year. Franchisee agrees to pay all costs to attend the convention; however, Franchisor may elect to offset certain costs otherwise required of Franchisee based upon the level of payments received (if any) from third party suppliers pursuant to Section 13.3. In the event, Franchisee and/or Franchisee's General Manager (or agreed upon upper level managerial employee) fails to attend, for whatever reason, Franchisor shall be entitled to charge Franchisee, in the same manner as the Royalty Fee, a non-refundable fee of $2,500 to cover its expenses.

Franchisee, or Franchisee's General Manager if Franchisee is a business entity, and two (2) additional managerial employees, must attend the annual training meeting for General Managers that Franchisor may hold or sponsor. Attendance at the General Manager training will not be required for more than two (2) days during any calendar year. Franchisee agrees to pay all costs of its General Manager managerial employees to attend the annual training. In the event Franchisee's General Manager is unable to attend the training meeting, then upon ten (10) days prior notice, Franchisee may send a substitute managerial employee if approved by Franchisor. In the event,

Franchisee's General Manager or substitute managerial employee fails to attend, for whatever reason, Franchisor shall be entitled to charge Franchisee, in the same manner as the Royalty Fee, a non-refundable fee of $1,500 to cover its expenses.

8.6 Ongoing Assistance

Franchisor shall provide Franchisee with periodic supervision and assistance as Franchisor deems appropriate, utilizing Franchisor's field representatives who may visit the Franchised Restaurant from time to time. The frequency and duration of such visits to the Franchised Restaurant by representatives of Franchisor shall be in the sole discretion of Franchisor. In addition, Franchisor will be available on an ongoing basis at its national headquarters for consultation and guidance with respect to the operation and management of the Franchised Restaurant. At its discretion, Franchisor may suggest menu item pricing policies to the extent allowed by law. Franchisee will determine the prices of the products and services that it offer to guests, except that Franchisor may establish maximum rates and prices for marketing and promotions if permitted by law.

9. MANUAL

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor will loan to Franchisee one (1) copy of the Manual which includes, in part, mandatory and suggested standards and business operating procedures, specifications, technical advice, and rules and regulations for operating the Franchised Restaurant. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement. Any required standards, operating procedures, specifications, technical advice, and rules and regulations exist to protect Franchisor's interest 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.

9.2 Revision

Franchisor shall have the right to add to and otherwise modify the Manual from time to time to reflect changes in the specifications, standards and operating procedures, provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes.

9.3 Confidential Use

The Manual contains Confidential Information of Franchisor and shall be kept confidential by Franchisee both during the term of this franchise and after its expiration or termination. Franchisee shall at all times ensure that its copy of the Manual is available at the Franchised Restaurant and is current and up-to-date. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Manual. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall be controlling.

10. SYSTEM STANDARDS

10.1 Uniformity

Franchisee acknowledges and agrees that operating and maintaining the Franchised Restaurant according to the System and prescribed standards is essential to preserve the goodwill of the Marks and all Black Bear Diner restaurants. Therefore, Franchisee agrees at all times to operate and maintain the Franchised Restaurant according to all of the System standards, as Franchisor may periodically modify and supplement them, even if Franchisee believe that a System Standard, as originally issued or subsequently modified, is not in the System's or the Franchised Restaurant's best interests. Although Franchisor retains the right to establish and periodically modify the System that Franchisee has agreed to maintain, Franchisee retains the right to and responsibility for the day-to-day management and operation of the Franchised Restaurant and implementing and maintaining the System standards at the Franchised Restaurant. The System standards may regulate any one or more of the following:

(a) design, layout, appearance, and lighting of the Franchised Restaurant; periodic maintenance, cleaning, and sanitation; periodic remodeling and painting; replacing obsolete or worn-out leasehold improvements and equipment; and using interior and exterior signs, emblems, lettering, and logos;

(b) types, models, and brands of required equipment, menu items, ingredients for menu items other food products, Trademarked Products, and supplies and minimum standards and specifications that Franchisee must satisfy;

(c) designated and approved suppliers for equipment including jukebox, the Décor Package, the Carved Bear Package, food products, beverages, Trademarked Products, and other items. In the case of Trademarked Products, the Décor Package and the Carved Bear Package, suppliers will be limited to Franchisor, its affiliates, and/or other specified exclusive sources, and Franchisee agrees to acquire such Trademarked Products, the Décor Package and the Carved Bear Package only from Franchisor, its affiliates, and/or the other specified exclusive sources at the prices Franchisor or they decide to charge. (Franchisor restricts the sources for the Trademarked Products, Décor Package and Carved Bear Package in order to protect our trade secrets, assure quality and uniformity, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service and control usage of the Marks by third parties.).

(d) sales, marketing, advertising, and promotional programs and materials and media used in these programs;

(e) use and display of the Marks at the Franchised Restaurant and on delivery menus, napkins, boxes, bags, wrapping paper, labels, forms, paper and plastic products, and other supplies;

(f) issuing and honoring gift cards and certificates;

(g) acceptance of credit, debit, charge or courtesy cards;

(h) music and music selections played in the Franchised Restaurant; and

(i) programs, policies or specifications regarding the use of Artificial Intelligence in connection with the development and operation of Franchised Restaurants.

10.2 Modification

Franchisee acknowledges that from time to time, Franchisor may introduce as part of the System, new menu items and other products, methods or technology which require certain system modifications including, without limitation, the adoption and use of new computer hardware and software, fixtures, furnishings, equipment or signs. Franchisee agrees to make all required upgrades and modifications at its expense as may reasonably be required by Franchisor. No additional investment will be required during the first year of the Initial term; if such additional investment is required to be made in the last year of the Initial term, Franchisee may avoid making the investment by providing notice of intent not to renew its franchise.

10.3 Variance

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of any particular site or other circumstances, density of population, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the operation of any particular Black Bear Diner restaurant. Franchisee agrees that it shall have no claim against Franchisor on account of any variation from System standards granted to any franchisee and shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder.

11. MARKETING AND PROMOTIONAL ACTIVITIES

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Black Bear Diner franchise system and Marks, Franchisee agrees as follows:

11.1 Local Advertising

Each month, Franchisee agrees to spend not less than one percent (1%) of its previous month's Gross Sales on Local Advertising including local marketing, advertising, promotions and public relations activities. Such expenditures shall be made directly by Franchisee. Within thirty (30) days of the end of each month, Franchisee shall furnish to Franchisor an accounting in a form as designated by Franchisor of the expenditures for the preceding month.

Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to signs, television advertisements, radio spots, coupons, leaflets, flyers, local newspaper, magazine, menu inserts, table cards, direct mail or other print advertising, Social Media, contests, sports sponsorships and . Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. In the event written approval is not received by Franchisee within twenty (20) days of receipt, Franchisor shall be deemed to have not given the required approval. Franchisor reserves the right to disapprove any advertising and promotional materials even if prior approval has been granted.

11.2 Systemwide Marketing Fund

Franchisor has established and administers the Black Bear Diner Systemwide Marketing Fund (the "Marketing Fund"). Currently, Franchisee is required to make a weekly contribution of one percent (1%) of its Gross Sales to the Marketing Fund ("Marketing Fund Contribution"). Franchisor reserves the right increase the amount of the Marketing Fund Contribution but will not increase the amount of the Marketing Fund Contribution to more than 3% of Gross Sales per week and will provide Franchisee with at least thirty (30) days written notice prior to increasing the amount of the Marketing Fund Contribution. Franchisee's Marketing Fund Contribution shall be made at the same time and in the same manner as its Royalty Fee payment. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

Franchisor shall generally oversee all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. Although Franchisor will endeavor to manage the Marketing Fund in a manner that benefits franchisees uniformly, Franchisor cannot and does not ensure that any particular franchisee will benefit directly or pro rata from the placement of advertising by the Marketing Fund.

Franchisee's contribution may be used to meet any and all costs of producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, billboard, magazine and newspaper advertising campaigns and other public relations activities developing and/or hosting an Internet Web page of similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees) and/or offsetting certain costs of a convention consisting of Franchisor employees and representatives and franchisees of the Black Bear Diner franchise system. The contributions by Franchisee and other franchisees to the Marketing Fund shall be maintained in a separate account from the funds of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund.

Each Black Bear Diner restaurant operated by Franchisor, or any affiliate of Franchisor, shall make contributions to the Marketing Fund equivalent to the contributions required of franchisees.

Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and promotional purposes or returned to Franchisee on a pro rata basis.

An accounting of the operation of the Marketing Fund shall be prepared annually and shall be made available to Franchisee upon request. Franchisor reserves the right, at its option, to require that such annual accounting include an audit of the operation of the Marketing Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Marketing Fund.

Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.3 Grand Opening Advertising

Franchisee is required and agrees to spend no less than FIVE THOUSAND FIVE HUNDRED DOLLARS ($5,500.00) sometime within one (1) week prior and eight (8) weeks following the opening of its Franchised Restaurant ("Grand Opening Advertising"). In addition, Franchisee must perform opening advertising as required by this paragraph every time that Franchisee relocates the Franchised Restaurant. All materials used on Grand Opening Advertising shall be subject to Franchisor's approval prior to its use. The Grand Opening Advertising shall be in addition to the Marketing Fund Contribution as required in Section 11.2; however, Franchisee shall receive a credit towards its Local Advertising requirement under Section 11.1.

11.4 Internet Advertising

Franchisor has established and maintains a website on the Internet at the uniform resource locator "http://www.blackbeardiner.com" ("Website") that provides information about the Black Bear Diner restaurant system and the menu items and services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the Website an interior page containing information about Franchisee's Franchised Restaurant and other Franchised Restaurants. If Franchisor includes such information on the Website, then Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides for inclusion on the Website. All such information shall be subject to Franchisor's approval prior to posting.

Franchisor reserves the right to own and license to Franchisee for use any and all listings on Social Media Sites that reference the Franchised Diner or any other Black Bear Diner, the Marks or the System. Franchisee may not separately register any domain name containing any of the Marks, and may not have a website for the Franchised Restaurant other than a website or web page that may be developed as part of Franchisor's Website. In addition, without Franchisor's prior written approval, Franchisee may not link or frame the Website to any Social Media Site or otherwise to any Social Media, conduct any business or offer to sell or advertise any services or products on the internet (or any other existing or future form of electronic communication) or use any email address which Franchisor has not authorized for use in operating the Franchised Restaurant. Franchisor retains all rights relating to the Website, Social Media Site and uses of Social Media, and any intranet/extranet system, including without limitation all rights to the data stored therein, and may alter or terminate the Website or Franchisor's intranet/extranet system. Franchisor also has the right to access, at all times, all information and data contained on its Website, any Social Media Sites and any other uses of Social Media. Franchisee's general conduct on the Website, any Social Media Sites and in connection with any other uses of Social Media or any advertising is subject to the provisions of this Agreement. Franchisee acknowledges that certain information related to its participation in the Website, any Social Media Sites and any other uses of Social Media may be considered Confidential Information, including without limitation access codes and identification codes. Franchisee shall comply with the standards and procedures developed by us for the System, in the manner directed by us in the Manual or otherwise in writing, with regard to Franchisee's authorization to use, and use of, any Social Media Sites and any other uses of Social Media that in any way references the Marks or involves the System or the Franchised Restaurant. Franchisor reserves the right to require our approval of any message Franchisee compose for the Website, any Social Media Sites and any other uses of Social Media. If requested by Franchisor, Franchisee agrees to cease posting on the Website, any Social Media Sites and as to any other uses of Social Media in connection with Franchisee's or any other Black Bear Diner, the Marks or the System.

To the extent that Franchisor authorizes Franchisee to have any separate website, Social Media Site to advertise and promote the Franchised Restaurant, Franchisee must fully comply with all requirements set by Franchisor in the Manual from time to time.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records and Inspection

Franchisee covenants and agrees that it shall keep and maintain during the term hereof, and for a period of 60 months following expiration or termination for any reason, full, true and complete records of all revenues and expenditures respecting the Franchised Restaurant, in the form and manner specified by Franchisor in its Manual and shall permit Franchisor or its representatives or agents selected in the sole discretion of Franchisor, during normal business hours, to examine, copy or audit the books of accounts, bank statements, documents, records, papers, and federal, state and local tax return records relating to the Franchised Restaurant or individual officers, directors, owners, partners, or affiliated or related entities or shareholders. If Franchisor should cause an audit to be made and the Gross Sales as shown by Franchisee's records should be found to be understated by any amount, Franchisee shall immediately pay to Franchisor the additional amount payable as shown by such audit, plus interest thereon at the rate of 18% *per annum* or the highest rate of interest allowed by law, whichever is lower, computed from the date (or dates) said understated amount (or amounts) were due. If the Gross Sales are found to be understated by 3% or more, Franchisee will be required to immediately pay to Franchisor the entire cost of such audit; otherwise, the cost of the audit shall be borne by Franchisor. Franchisee shall furnish Franchisor with a copy of any and all certified financial statements respecting Franchisee's business, in the format and chart of accounts specified by Franchisor, without any cost or expense to Franchisor. In addition, Franchisee agrees to provide copies of any and all accounts, bank statements, documents, records, papers, and federal, state and local tax return records relating to the Franchised Restaurant or individual officers, directors, owners, partners, or affiliated or related entities or shareholders as Franchisor may request.

12.2 Weekly Sales Reports

By the close of business on Monday of each week, Franchisee shall provide to Franchisor an itemized report of the Gross Sales for the preceding week. Franchisee shall submit the itemized report in the format and form as required by Franchisor whether in written or electronic form and via the computer system described in Section 12.4 below. In addition, Franchisee shall provide a copy of all state sales tax and related returns for the Franchised Restaurant as specified by Franchisor.

12.3 Financial Statements

Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, a complete annual financial statement (prepared in accordance with generally accepted accounting principles), on a review basis, prepared by an independent certified public accountant, within ninety (90) days after the end of each fiscal year of the Franchised Restaurant. In addition, no later than the twentieth (20th) day of each month during the term of this Agreement, Franchisee shall submit to Franchisor, a monthly and fiscal year-to-date income statement and a monthly balance sheet for the Franchised Restaurant.

12.4 Computer System

Franchisee shall install, maintain, and at all times operate such computer hardware and software, including point-of-sale system, kitchen display system, as Franchisor may specify in the Manual or otherwise in writing as Franchisor may deem reasonably necessary for the efficient management and operation of the Franchised Restaurant and the transmission of data to and from Franchisor. Franchisee agrees to permit Franchisor to access, by modem, Internet, or otherwise the computer system for the purpose of downloading information from Franchisee's computer system. Franchisee must configure and constitute its computer system so that Franchisor has complete, continuous, and unfettered access to all information the computer system generates and collects. As part of the Computer System, Franchisee agrees to maintain firewall protection by use of a managed configuration to monitor and restrict all inbound traffic to Franchisee's network which does not meet proper security protocol. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures or attacks. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with all privacy policies or data protection and breach response policies as Franchisor may periodically establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Restaurant.

Franchisor and Franchisee agree that changes to technology are dynamic and are not predictable within the term of this Agreement. Franchisee agrees that Franchisor may establish from time-to-time in the Manual or otherwise in writing reasonable new standards for the implementation of technology in the System. Franchisee agrees to comply with any reasonable new standard for technology that is developed by Franchisor.

13. OPERATION OF THE FRANCHISED RESTAURANT

13.1 Authorized Products

Franchisee shall offer for sale at the Franchised Restaurant only the menu items, Gift Shop Products and other products that Franchisor has expressly approved and shall not offer for sale or sell or provide through the Franchised Restaurant, any products or services which Franchisor has not approved or use the Approved Location for any purpose other than the operation of a Black Bear Diner restaurant in full compliance with this Agreement and the Manual.

13.2 Gift Shop Products

Franchisee agrees to purchase from Franchisor, its affiliate(s), or certain designated or approved suppliers all Gift Shop Products, including Trademarked Products, and other products to the extent specified by Franchisor. Franchisee acknowledges that the Gift Shop Products are provided on a for-profit basis. If Franchisor or its affiliate supplies Gift Shop Products, then: (i) all orders for Gift Shop Products shall be in writing and are subject to Franchisor's acceptance; (ii) the purchase price shall be the prices in effect at the time of the order and Franchisor may implement price changes upon thirty (30) days prior written notice; (iii) Franchisee shall pay to Franchisor the amount of all taxes, excises and governmental charges that Franchisor may be required to pay on the sale or delivery of any Gift Shop Products; (iv) Franchisor shall invoice Franchisee for the Gift Shop Products at the time of shipment and Franchisee shall pay such invoice by ACH within thirty (30) days and if invoices are not paid within that period, Franchisee agrees to pay a service charge

of one and one-half percent (1½%) or as otherwise permitted by law; and (v) all Gift Shop Product purchases shall be shipped FOB shipping point with title and risk of loss passing at such point.

13.3 Other Products

All food and beverage items, ingredients, paper goods, glassware, supplies, materials, and other products used in the operation of the Franchised Restaurant shall comply with Franchisor's specifications and quality standards and, if required by Franchisor, shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include Franchisor or its affiliates). Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of items and, if required, a list of Approved Suppliers for some or all of these items, and shall from time to time issue revisions thereto. Upon Franchisor's request, or if Franchisee desires to use any item or service in operating the Franchised Restaurant that Franchisor has not approved (for items or services that required supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the item or service complies with its standards and specifications or the supplier meets its approved supplier criteria. Franchisor may charge a reasonable fee for inspection and/or testing, not to exceed ONE THOUSAND DOLLARS ($1,000.00), and will decide within a reasonable time after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier.

Notwithstanding anything contrary in this Agreement, Franchisor reserves the right to review from time to time its approval of any items or suppliers. Franchisee acknowledges and agrees that Franchisor may revoke its approval of any supplier at any time and in its sole discretion by notifying Franchisee and/or the supplier. Franchisee agrees, at its own expense, to promptly cease using, selling or providing any products disapproved by Franchisor and to promptly cease purchasing from suppliers which Franchisor disapproves. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential. Franchisor and its affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with Franchisee and other franchisees and to use all amounts received without restriction for any purposes Franchisor deems appropriate (unless Franchisor and its affiliates agree otherwise with the suppliers).

13.4 Supervision of the Franchised Restaurant

The Franchised Restaurant shall, at all times, be under the exclusive and direct full-time supervision of Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other business entity, its General Manager). In the event Franchisee operates more than one (1) Franchised Restaurant, at least one (1) trained and competent employee referred to above shall act as the General Manager for each Franchised Restaurant. The General Manager and any replacement General Manager is required to complete the Initial Training Program as specified in Section 8 within 60 days of hire. Franchisor does not share or codetermine any of the franchisees' employees' essential terms and conditions of employment, which are defined to include but not be limited to: (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and (7) working conditions related to the safety and health of employees.

13.5 Right to Inspect

Franchisor may, from time to time, at its discretion, cause its representatives to visit Franchisee's Black Bear Diner restaurant for the purpose of rendering advice and consultation or training, with respect to the Franchised Restaurant, its operation and performance, and compliance by Franchisee with the Manuals including the right to remove samples of food or non-food items from the Franchised Restaurant, without payment therefor, in amounts reasonably necessary for testing by Franchisor's representatives to determine whether such samples meet Franchisor's then-current standards and specifications. Franchisor may require Franchisee to reimburse Franchisor for all costs incurred by Franchisor, or its representatives, in rendering advice and consultation or training.

13.6 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Restaurant and shall operate its Franchised Restaurant in full compliance with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations.

13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any legal action or any order, writ, injunction, award or decree of any court, agency or other governmental authority, including a failed health inspection report, which may adversely affect the operation or financial condition of the Franchised Restaurant.

13.8 Compliance with Good Business Practices

Franchisee acknowledges that each and every detail of the quality of customer service, appearance and demeanor of Franchisee's employees, and the quality of the menu items at the Franchised Restaurant is important to Franchisor and to other franchisees in the Black Bear Diner franchise system. The Franchised Restaurant shall in all dealings with its customers, suppliers and the general public adhere to the highest standards of honesty, fair dealing, moral and ethical conduct. The Franchised Restaurant shall at all times give prompt, courteous and efficient service to its customers.

13.9 Music Selection

Franchisee will only play the music selections that have been approved by Franchisor as specified in the Manual or otherwise in writing.

13.10 Vending Machines

Franchisee agrees not to install or use at the Franchised Restaurant any vending machines, amusement devices, video machines or other similar devices unless approved in writing by Franchisor.

13.11 Credit Cards and Payment Methods

During the term of this Agreement, Franchisee must maintain credit card relationships with the credit and debit card issuers, check verification services, and electronic funds transfer systems that Franchisor designates, and Franchisee may not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked its approval. Franchisor may modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments and may revoke its approval of any service provider. Franchisee must comply with the Payment Card Industry Data Security Standards ("PCI DSS") as they may be revised and modified by the Payment Card Industry Security Standards Council, or any successor or replacement organization and/or in accordance with other standards Franchisor may specify, and the Fair and Accurate Credit Transactions Act ("FACTA"). In addition, Franchisee agree to provide Franchisor with an annual updated copy of its PCI DSS Attestation of Compliance. Franchisee also must upgrade periodically its Computer System and related software, at Franchisee's expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations. Franchisee agrees to abide by all applicable state and federal laws pertaining to the privacy of consumer, employee and transactional information.

14. INSURANCE

14.1 Types and Amounts of Coverage

Franchisee shall procure, at its sole expense, and maintain in full force and effect during the term of this Agreement the following minimum insurance policies naming Franchisor and its parents and affiliates as additional named insured, in addition to any other insurance that may be required by applicable law, any lender or lessor. All insurance policies purchased and maintained by Franchisee pursuant to this Section 14 must (i) include a waiver of subrogation, (ii) apply on a primary and non-contributory basis, and (iii) stipulate that the Franchisor will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least 30 days prior to the effective date. Franchisor may, from time to time, modify the required coverages and/or minimum limits and require additional insurance coverages by providing Franchisee with written notice. Set forth below are the types and minimum coverage amounts that we currently require for Franchisee's Franchised Restaurant per location:

Commercial General Liability -$1,000,000 per occurrence limit.
$1,000,000 Personal and Advertising Injury
$2,000,000 Products/Completed Operations Aggregate
$2,000,000 General aggregate

Property Coverage -Replacement Cost Coverage
Special Form for Tenant Improvements, Contents including Inventory, Furniture, Fixtures, Equipment, Supplies and other Property used in connection with the Franchised Restaurant including Business Income and Extra Expense.

Workers Compensation
To comply with the statutory requirement for the state in which the Franchise Restaurant is operating and Employee's Liability Insurance with a limit of $1,000,000 per accident for Bodily Injury or Disease.

Auto Liability
To include non-owned and hired coverage, with a combined single limit of $1,000,000.

Umbrella/Excess Liability
Umbrella or Excess Liability Policy for $1,000,000 limit that is excess of the limits required by the General Liability and Auto Liability policies (to also include Employers Liability).

Cyber Liability
To include 3rd party coverage and business interruption coverage with a limit of $1,000,000.

Liquor Liability Insurance
$1,000,000 or state required coverage, whichever is greater.

14.2 Carrier Standards

Such policy or policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A-/VII" Rating Classification as indicated in Best's Insurance Guide.

14.3 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policy or policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 20 of this Agreement. Franchisee agrees to provide annually a certificate of insurance, insurance policy endorsements and other evidence of compliance with the foregoing requirements. Such certificate shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

14.4 Failure to Maintain Coverage

Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. DEFAULT AND TERMINATION

15.1 Termination by Franchisee

If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within a reasonable time after written notice thereof is delivered to Franchisor, Franchisee may terminate this Agreement unless the breach cannot reasonably be cured within thirty (30) days, in which case Franchisee will have the right to terminate this Agreement if, after receipt of a written notice of default, Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time, and furnish Franchisee reasonable proof of such efforts. To terminate this Agreement under this Section, Franchisee must provide a separate written notice of termination, which will be

effective no less than thirty (30) days after delivery of such notice to Franchisor. Franchisee's termination of this Agreement other than according to this Section will be deemed a termination without cause and a breach of this Agreement

15.2 Termination by Franchisor

This Agreement shall, at the option of Franchisor, terminate upon written notice to Franchisee and without opportunity to cure, if Franchisee:

(a) fails to construct, renovate and remodel the Approved Location as required in this Agreement;

(b) fails to obtain approval for a site, sign a lease (as applicable) or begin operation of the Franchised Restaurant as required in this Agreement;

(c) fails to satisfactorily complete the initial training program as required in Section 8.1 of this Agreement or any required training, seminars or the annual convention as required in Section 8.5 of this Agreement;

(d) has made any material misrepresentation or omission in the application for the franchise;

(e) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Restaurant;

(f) makes any unauthorized use, disclosure or duplication of any portion of the Manual or duplicates or discloses or makes any unauthorized use of any Confidential Information;

(g) abandons or fails or refuses to actively operate the Franchised Restaurant for five (5) or more consecutive days, unless otherwise approved by Franchisor;

(h) makes or attempts to make an unauthorized direct or indirect assignment of the Franchise, the Franchised Restaurant or an ownership interest in a Franchisee that is a legal entity, or fails or refuses to assign the franchise or the interest in Franchisee of a deceased or incapacitated controlling owner thereof as required in Section 18.4 of this Agreement;

(i) is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, files any action or petition of insolvency or makes a general assignment for the benefit of its creditors;

(j) materially misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to materially impair the goodwill associated with any of the Marks;

(k) fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay Royalty Fee payments, Marketing Fund Contributions, amounts due for purchases from Franchisor or other payments when due to Franchisor, or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice is delivered to Franchisee;

(l) fails three (3) or more food safety and/or sanitation inspections conducted by Franchisor or its representatives within any period of twelve (12) consecutive months; or

(m) operates the Franchised Restaurant in a manner that presents a health or safety hazard to its customers, employees or the public.

Except as otherwise provided in Section 15.2. of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

15.3 Reinstatement and Extension

To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like, other than in accordance with applicable law, to the extent such are not in accordance with applicable law, Franchisor may reinstate or extend the term for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

Upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee will:

(a) cease to operate the Franchised Restaurant under this Agreement and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former Franchisee of Franchisor;

(b) if requested, assign (or, if an assignment is prohibited, a sublease for the full remaining term and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor;

(c) cease to use the Confidential Information, the System, the Marks and any distinctive forms, slogans, signs, symbols, logos or devices associated with the Marks or System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, stationery, forms and any other items which display the Marks;

(d) assign to Franchisor any assumed name or equivalent registration filed with state, city or county authorities which contain the name "Black Bear Diner" or any of the Marks;

(e) pay all sums owing to Franchisor which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees and lost future profits arising from the premature termination of this Agreement for cause due to Franchisee's abandonment or other material default that is not cured in accordance with the requirements of this Agreement;

(f) pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the franchise in obtaining injunctive or other relief for the enforcement of any provisions contained in Sections 17;

(g) immediately return the Manual, all Confidential Information and all other records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Restaurant (all of which are acknowledged to be Franchisor's property);

(h) assign to Franchisor, at Franchisor's option, all telephone numbers (and associated listings) for the Franchised Restaurant; and

(i) comply with all other applicable provisions of this Agreement including the non-compete provisions.

17. FRANCHISEE'S COVENANTS NOT TO COMPETE

17.1 During Term

Franchisee specifically acknowledges that pursuant to this Agreement, Franchisee will receive valuable training and Confidential Information of Franchisor and the System. Accordingly, Franchisee and the Personal Guarantors will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, affiliate, licensee, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competitive Business, except with the prior written consent of the Franchisor.

17.2 After Termination

Franchisee and the Personal Guarantors covenant that, except as otherwise approved in writing by Franchisor, neither Franchisee nor the Personal Guarantors will not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of for termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity own an interest in, manage, operate, act as a consultant with respect to the management or operation of any Competitive Business within a radius of twenty-five (25) miles of the Approved Location or within twenty-five (25) miles of any other Black Bear Diner restaurant. The Franchisee and the Personal Guarantors expressly agree that the time and geographical limitations set forth in this provision are reasonable and necessary to protect the Franchisor and its franchisees if this Agreement expires or is terminated by either party for any reason, and that this covenant not to compete is necessary to permit the Franchisor the opportunity to resell or develop a new Black Bear Diner restaurant at or in the area near the Approved Location.

17.3 Modification of Covenants

Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section17 is held unreasonable, then it shall be amended to provide for limitations upon post-term competition to the maximum extent provided and permitted by law.

17.4 Injunctive Relief

As any breach by Franchisee of any of the covenants contained in this section would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, Franchisee agrees that, in addition to all other remedies provided by law or in equity, Franchisor may be entitled to seek an injunction against any such breach, whether actual or contemplated.

17.5 If Franchisee Starts Another Business

In the event Franchisee continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, the System or the trade dress, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in the Marks. This Section 17.5 is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Section 17.2 of this Agreement. Franchisee shall not utilize any designation of origin, or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition. Franchisee shall make such modifications or alterations to the Approved Location (including, without limitation, the changing of the telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business thereon subsequently operated by Franchisee or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose including, without limitation, removal of all distinctive physical and structural features identifying the System. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.5, Franchisor shall have the right to enter upon the Approved Location, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at Franchisee's expense.

17.6 Franchisor's Option to Purchase Certain Assets

Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings (including the Décor Package or the Carved Bear Package), equipment (including any electronic cash register or computer hardware and software systems), signs, fixtures, supplies, and inventory of Franchisee related to the operation of the Franchised Restaurant, at fair market value. Franchisor shall be purchasing Franchisee's assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee and (ii) all amounts due from Franchisee to Franchisor against any payment therefor and shall pay the remaining amount in cash. The time for closing of the purchase shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date Franchisor receives and obtains all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

17.7 Survival of Certain Provisions

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

18. TRANSFERS

18.1 By Franchisor

This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall provide assurances of its assumption of all obligations and provide evidence of its ability to do so, all in a manner satisfactory to Franchisor.

18.2 By Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the franchise herein granted, are personal to Franchisee, and Franchisor has agreed to enter into this contract with Franchisee in reliance upon Franchisee's personal skill and financial ability. Accordingly, neither Franchisee nor any successor of Franchisee, either immediate or remote, to any part of Franchisee's interest in this Agreement may sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in the franchise granted hereby. Any purported assignment or transfer, whether by operation of law or otherwise, or encumbrance of all or any part of Franchisee's rights, or of all or any part of Franchisee's company under this Agreement, or of all or any part of the operating control of the business of Franchisee, shall be null and void and shall constitute a material breach of this Agreement, for which breach Franchisor may then terminate this Agreement without notice or opportunity to cure, unless such assignment, transfer or encumbrance has the prior written consent of Franchisor. A transfer includes the sale, transfer, assignment or conveyance of (1) fifteen percent (15%) or more of the assets used in the operation of the Franchised Restaurant; (2) any interest in this Agreement; or (3) any interest in a legal entity as Franchisee pursuant to this Agreement. Franchisor may, in its sole discretion, set limits from time to time as to the number of Franchised Businesses any franchisee or its affiliates (or prospective transferee and its affiliates) may own and operate at any given time, may prohibit or condition sale leaseback transactions and/or may withhold its consent to the proposed sale of all then Franchisee or affiliate-owned Franchised Businesses to a single prospective transferee via one or more transfer transactions. Under no circumstances may Franchisee transfer or attempt to transfer the Franchised Business or all or substantially all of the assets associated with the Franchised Business to a third-party who will operate a Competitive Business or other similar business but not under the System and the Marks, and not under a franchise agreement with Franchisor. Franchisee agrees to first obtain the written consent of Franchisor to such transaction, which consent will not be unreasonably withheld or delayed but will be conditioned upon the satisfaction of the following conditions:

(a) all obligations owed to Franchisor and all other outstanding obligations relating to the Franchised Restaurant shall be fully paid and satisfied;

(b) the transferee shall execute Franchisor's then current form of Franchise Agreement (which will limit the term of the transferee's franchise to the unexpired term of Franchisee's franchise and which will supersede the terms of this Agreement) and such other collateral agreements Franchisor may then require;

(c) Franchisee shall execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor including its officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the business which operates this franchise. If a general release is prohibited, Franchisee shall give the maximum release allowed by law;

(d) the transferee shall have satisfied Franchisor that it meets Franchisor's management, business and financial standards and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Restaurant;

(e) Franchisee shall have provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the transferee relating to the sale or transfer of the franchise, and Franchisor does not have reasonable concerns that it will be difficult for the transferee to satisfy any debt obligations to Franchisee and still derive a reasonable profit from the Franchised Business following the sale and transfer transaction; and

(f) Franchisee shall have paid to Franchisor a transfer fee in the amount of TEN THOUSAND DOLLARS ($10,000). A transfer fee shall not be required pursuant to a transfer by Franchisee to an entity controlled by Franchisee under the terms of Section 18.3 of this Agreement.

18.3 Transfer by Franchisee to an Entity Controlled by Franchisee

If Franchisee is an individual and wishes to transfer his rights, duties and obligations under this Agreement therein to a corporation, limited liability company or other legal entity ("Controlled Entity") which shall be entirely owned by Franchisee, which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, then Franchisor's consent to such transfer shall be conditioned upon the following requirements:

(a) the Controlled Entity shall be newly organized and its organizational documents shall provide that its activities are confined exclusively to the operation of the Franchised Restaurant;

(b) Franchisee shall retain total ownership of the outstanding stock or other capital interest in the transferee Controlled Entity, and Franchisee shall act as the principal officer or officers and directors thereof;

(c) all obligations of Franchisee to Franchisor or any affiliate shall be fully paid and satisfied prior to Franchisor's consent; provided that Franchisee shall not be required to pay a transfer fee, as required, pursuant to Section 18.2.5 of this Agreement for any transfer under this Section 18.3;

(d) the Controlled Entity assignee shall enter into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of this Franchised Restaurant. If the consent of any other contracting party to any such agreement is required, Franchisee shall have obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(e) all owners of the stock or other ownership interest of the Controlled Entity shall enter into Franchisor's form of Guaranty and Assumption of Obligations, jointly and severally, guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations contained in this Agreement;

(f) each stock certificate or other ownership interest certificate of the Controlled Entity shall have conspicuously endorsed upon the face thereof of a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

(g) copies of the Controlled Entity's organizational documents and other related documents, including resolutions authorizing the assumption of this Agreement, shall be promptly furnished to Franchisor; and

(h) Franchisor's consent to a transfer of any interest in this Agreement or of any ownership interest in the Franchised Restaurant shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Death or Incapacity of Franchisee

Upon the death or permanent disability of any person with an interest in this Agreement, the executor, administrator, conservator or personal representative of such person must transfer his/her interest to a third party approved by Franchisor within a reasonable period not to exceed six (6) months after death or permanent disability. Such transfers, including, without limitation, transfers by will or inheritance, shall be subject to the same conditions for assignments and transfers contained in this Agreement. During that six (6) month period, the Franchised Restaurant must be under the primary supervision of a manager who otherwise meets Franchisor's management qualifications. Failure to appoint such manager or dispose of such interest within that six (6) month period, will constitute grounds for termination under this Agreement.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee proposes to sell: (i) fifteen percent (15%) or more of the assets of the Franchised Restaurant; (ii) any beneficial interest in the Franchise; or (iii) any ownership interest in this Agreement or a Franchisee entity, Franchisee shall obtain and deliver a bona fide, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials to Franchisor. The offer must apply only to the sale of the above and may not include any other property or rights of Franchisee or its owners.

19.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the same for the price and on the same terms and conditions contained in such offer or proposal to Franchisor. Franchisor may substitute cash for the fair market value of any form of payment proposed in such offer or proposal. Franchisor's credit shall be deemed equal to the credit of any proposed buyer. After providing notice to Franchisee, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representation and warranties given by Franchisee as the seller of the assets or such ownership interest.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise this right of first refusal within thirty (30) days, the offer or proposal may be accepted by Franchisee or its owners, subject to the prior written approval by Franchisor, as provided in Section 19, of the proposed transfer. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor shall again have the right of first refusal herein described. Should a transferee assume the rights and obligations under this Agreement, such transferee shall likewise be subject to Franchisor's right of first refusal under terms and conditions as set forth herein.

20. RELATIONSHIP AND INDEMNIFICATION

20.1 Independent Contractor

Franchisor and Franchisee are independent contractors. This Agreement does not constitute Franchisee as an agent, legal representative, joint venture, joint employer, partner or employee of Franchisor. Neither Franchisee nor Franchisor may represent to third parties that either is an agent, legal representative, joint venturer, joint employer, partner or employee of the other. Neither party is in any way authorized to make any contract, agreement, warranty or representation on behalf of the other. Franchisee specifically acknowledges that Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Restaurant. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be deemed employees or agents of Franchisor or any of its affiliates, nor subject to Franchisor's or its affiliates control and in particular, Franchisor and its affiliates will have no authority to exercise control over the solicitation, hiring, paying, disciplining, scheduling, managing or termination of Franchisee's employees, independent contractors, or others who work for Franchisee; their compensation; working hours or conditions; or their day-to-day activities except to the extent necessary to protect the Marks. During the term of this Agreement and any extension hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor reserves the right to specify.

20.2 Indemnification by Franchisee

Franchisee and Personal Guarantors agree to indemnify, defend, and hold harmless Franchisor, its current and former affiliates, and their respective past and present shareholders, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties")

against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Franchised Restaurant's operation, the business Franchisee conducts under this Agreement, Franchisee's or Franchisee's employees actions or inaction, or Franchisee's breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction.

For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at Franchisee's expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Franchisee under this subparagraph. Franchisee agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this subparagraph.

21. GENERAL CONDITIONS AND PROVISIONS

21.1 Waiver and Delay

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Any waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.2 Notices

Any and all notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day of the transmission by facsimile, telegraph or other reasonably reliable electronic communication system; (c) two (2) business days after being placed in the hands of a commercial courier service for guaranteed overnight delivery;

or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the address below:

Notices to Franchisor:

BBDI LLC
Attention: Chief Executive Officer
280 Hemsted Drive, Suite 200
Redding, California 96002

Notices to Franchisee:

_____
Attention:_____
_____
_____

21.3 Cost of Enforcement or Defense

If Franchisor or Franchisee are required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees, in connection with such proceeding.

21.4 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.5 Entire Agreement

This Agreement, any exhibit attached hereto and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and shall supersede all prior agreements; provided however, that nothing in the Franchise Agreement or any related agreement is intended to disclaim any representation made in Franchisor's Franchise Disclosure Document. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

21.6 Severability

Each paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and/or provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid paragraphs, parts, terms and/or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement, Franchisor may, at its option, terminate this Agreement. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement. Franchisee expressly shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

21.7 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.8 Force Majeure

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. This clause shall not apply or not result in an extension of the term of this Agreement.

21.9 Timing

Time is of the essence of this Agreement. It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. All references to time mean the time at Franchisor's office in Redding, California.

21.10 Survival

The rights of the Franchisor and the obligations of the Franchisee and the Personal Guarantors set forth in Section 20.2, and in Articles 16, 17, 22 and 23 shall survive the termination or expiry of this agreement.

21.11 No Withholding

The Franchisee agrees that it will not, on grounds of the alleged non-performance by the

Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any service fee or other amounts due hereunder or otherwise to the Franchisor or any of its Affiliates.

22. DISPUTE RESOLUTION

22.1 Choice Of Law

This Agreement and the rights of the parties will not take effect unless and until this Agreement is accepted and signed by Franchisor. All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent this Agreement or any particular dispute is governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law or regulation, refer also to any successor laws or regulations or any published regulations for any statute, as in effect at the relevant time.

22.2 Consent to Jurisdiction

The parties agree that any action brought by Franchisee against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business. Any action brought by Franchisor against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business. The parties do hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

22.3 Cumulative Rights And Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that shall cause it loss or damages including obtaining restraining orders, preliminary and permanent injunctions.

22.4 Limitations of Claims

Any claim concerning the Franchised Restaurant or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim. Notwithstanding anything to the contrary in this Section 22.4, if in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected shall be amended only to the extent necessary to bring it within the requirements of the law or regulation.

22.5 No Punitive or Exemplary Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agrees that if there is a dispute with the other, each will be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor will have the right to an accounting and to recover lost profits and legal fees as provided in Sections 16.(e) and 21.3.

22.6 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them.

22.7 Arbitration

Except as provided in Sections 22.8 and 22.9 below, any dispute between (i) Franchisor and its affiliates and (ii) Franchisee and its affiliates, arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, will be resolved by submission to binding arbitration by and before one arbitrator from the American Arbitration Association ("AAA"), in accordance with its Commercial Arbitration Rules. All arbitration proceedings will be conducted individually by a single plaintiff, and not as a class or by multiple plaintiffs in one action. All hearings and other proceedings shall take place in Redding, California. The arbitrators shall apply California law (unless pre-empted by federal law) in conducting the arbitration, including determination of all issues relating to the arbitrability or the enforcement of the agreement to arbitrate. NO PUNITIVE OR EXEMPLARY DAMAGES SHALL BE AWARDED AGAINST FRANCHISOR OR FRANCHISEE, THEIR RESPECTIVE EQUITY HOLDERS, OR ENTITIES AFFILIATED WITH ANY OF THEM, IN ARBITRATION PROCEEDINGS (OR OTHER PROCEEDINGS), AND ARE HEREBY WAIVED. This arbitration provision shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear. This section 22.7 shall be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court shall modify or interpret such provisions to the minimum extent necessary to comply with the law. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*).

22.8 Exceptions to Arbitration

Notwithstanding Section 22.7 above, Franchisor may bring an action in any court of competent jurisdiction in Orange County, California or other venue selected by Franchisor for injunctive or other extraordinary relief, without the necessity of posting any bond, as Franchisor deems necessary or appropriate in connection with (i) violations of Franchisee's obligations under Section 17 hereof, or (ii) the use or display of the Marks. Franchisee acknowledges that it is one of a number of franchisees using the Marks and that failure on its part to comply fully with any of the terms of this Agreement respecting the foregoing obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other franchisees of Franchisor. Therefore, Franchisor shall have the immediate right to seek a preliminary order or injunction

enforcing the foregoing obligations during the pendency of all arbitration or other proceedings, without the necessity of posting a bond. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies that Franchisor may have.

22.9 Face-to-Face Meeting and Mediation

Notwithstanding anything to the contrary in Section 22.8, before either party may initiate any arbitration proceeding pursuant to Section 22.8, the parties pledge to attempt to resolve the dispute arising out of or relating to this Agreement pursuant to the following process:

Face-to-Face Meeting. The parties pledge to attempt first to resolve the dispute arising out of or relating to this Agreement at a face-to-face meeting. The face-to-face meeting shall be held at a neutral location at or near Franchisor's headquarters within 30 days after either Franchisee or Franchisor gives written notice to the other party proposing such a meeting. If such face-to-face meeting fails to result in a satisfactory resolution of the dispute then the parties agree to proceed to mediation.

Mediation. If the dispute remains unresolved after the face-to-face meeting, the parties agree to submit the dispute to non-binding mediation conducted in accordance with the Commercial Mediation Rules of the AAA, unless the parties agree on alternative rules. The mediator must be a neutral person agreed upon by the parties and experienced in franchising. Any party may be represented by counsel and persons authorized to settle the dispute must attend any mediation session. The fees and expenses of the mediator shall be shared equally by the parties. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures.

23. ACKNOWLEDGMENTS

23.1 Receipt of Franchise Disclosure Document and Franchise Agreement

Franchisee acknowledges and agrees that Franchisee received (i) Franchisor's then current franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least 14 days prior to execution of this Agreement as required by such Trade Regulation Rule and (ii) a fully completed copy of this Agreement at least 7 days prior to execution as required by such Trade Regulation Rule.

23.2 True and Accurate Information

Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information and that Franchisee is required to pass Franchisor's background check which may include, but is not limited to, information in the following areas: general reputation, character, work habits and prior experience.

23.3 No Violation of any Agreement

Neither the execution, delivery or performance by Franchisee or the Personal Guarantors of this Agreement or the other documents executed by any of them in connection with this Agreement nor the consummation by Franchisor and the Personal Guarantors of the transactions contemplated hereby, will (with or without notice or lapse of time): (i) violate Franchisee's Articles of Incorporation or Bylaws or other governing organizational documents; (ii) violate, breach, conflict with or constitute a default under, or permit the termination of, any agreement or instrument, by which any such Franchisee or any Personal Guarantor is bound.

23.4 Anti-Terrorism

Franchisee further acknowledges that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other antiterrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, Franchisee hereby certifies that neither Franchisee nor any of Franchisee's employees, agents or representatives, nor any other person or entity associated with Franchisee, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

Franchisee further covenant that neither it nor any of its employees, agents or representatives, nor any other person or entity associated with Franchisee, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

23.5 Franchisor's Discretion

Whenever this Agreement or any related agreement grants, confers or reserves to Franchisor the right to take action, refrain from taking action, grant or withhold Franchisor's consent or grant or withhold Franchisor approval, unless the provision specifically states otherwise, Franchisor will have the right to engage in such activity at Franchisor's option taking into consideration Franchisor's assessment of the long term interests of the System overall. Franchisee and Franchisor recognize that if those activities and/or decisions are supported by Franchisor's business judgment, then no mediator, arbitrator, judge or other person reviewing those activities or decisions will substitute his, her or its judgment for Franchisor's judgment. When the terms of this Agreement specifically require that Franchisor not unreasonably withhold Franchisor's approval or

consent, if Franchisee is in default or breach under this Agreement, any withholding of Franchisor's approval or consent will be considered reasonable.

23.6 Required NASAA Statement

The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

APPROVED LOCATION

If a particular site for the Franchised Restaurant has been selected and approved at the time of the signing this Agreement, it shall be entered below as the Approved Location. If a particular site has not been selected and approved at the time of the signing this Agreement, then Franchisor will insert the address of the Approved Location once a particular site has been selected and approved.

Approved Location:

Street: _____

City/State: _____

The above location has been selected by Franchisee and approved by Franchisor

This _____ day of _____, 202__

BBDI LLC

By: _____

Print Name: _____

Title: _____

EXHIBIT B TO THE FRANCHISE AGREEMENT

DÉCOR PACKAGE

The Décor Package is tailored to each specific Black Bear Diner. The following list represents a typical number and type of décor items to be placed in Franchisee's Black Bear Diner. Franchisee's Décor Package may slightly differ and will be designed to reflect the locale where the Franchised Restaurant is located.

A typical Décor Package includes the following:

Quantity	Description
15	Framed & matted bear posters (approx. 24" x 36")
30	Framed & matted photographs, articles & bios
20	Framed & matted historical prints of local area
6 to 8	Hand painted signs
1	Welcome to Black Bear Diner cutout sign
8	Cut-out black bear silhouettes
15	Antiques & three dimensional pieces
	Valances with stenciled bear border – as per window coverage
	Specified wallpaper and border – as needed
	TV/DVD (optional)
50 (app.)	Table Caddies

EXHIBIT C TO THE FRANCHISE AGREEMENT

CARVED BEAR PACKAGE

A typical Carved Bear Package includes the following:

Quantity	Description
1	9 to 12 foot hand-carved standing bear
6 to 8	4 to 6 foot hand-carved bears depicting either the culture or specific elements of the local and geographical area
2	6 to 8 foot carved bear entry benches

The package may include such optional items as:

- Carved bear fountain
- Bear tree
- Small bears to hang on posts and pillars

EXHIBIT D TO THE FRANCHISE AGREEMENT

GUARANTEE AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTEE AND ASSUMPTION OF OBLIGATIONS is made this __ day of ____, 202__, by _____
_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith ("Agreement") by BBDI LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____
_____ ("Franchisee") shall (1) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) shall personally be bound by, and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the provisions of Section 17. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (1) its direct and immediate liability under this guarantee shall be joint and several; (2) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTOR(S)

_____	_____
_____	_____
(print name)	(print name)
_____	_____
_____	_____
(print name)	(print name)

EXHIBIT E TO THE FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT
FOR AUTOMATIC (ACH) DEBIT

COMPANY NAME: _____

I (we) hereby authorize **BBDI LLC** ("BBDI") to initiate debit entries and to initiate, if necessary, credit entries and adjustments for any debit entries in error to my (our) Checking Account at the Depository indicated below.

DEPOSITORY
NAME _____ **BRANCH** _____

CITY _____ **STATE** _____ **ZIP** _____

ROUTING NO. _____ **ACCT. NO.** _____

This authorization is to remain in full force and effect until BBDI has received written notice of its termination in such time and in such manner as to afford BBDI and Depository a reasonable time to act on it.

By: _____ By: _____
(Please print) (Please print)

x _____ _____
(Authorized signature) (Authorized signature)

Date: _____

EXHIBIT C TO THE DISCLOSURE DOCUMENT

BBDI LLC

AREA DEVELOPMENT AGREEMENT

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B. DEVELOPMENT SCHEDULE
C. GUARANTY AND ASSUMPTION OF OBLIGATIONS
D. LIST OF PRINCIPALS

BBDI LLC

AREA DEVELOPMENT AGREEMENT

This Development Agreement (the "Agreement") is made this ___ day of _____, 202_, ("Effective Date") by and between BBDI LLC, a California limited liability company, having its principal place of business at 280 Hemsted Drive, Suite 200, Redding, California 96002 ("Franchisor"), and _____, a _____ whose principal address is _____ _____ ("Developer").

RECITALS

Franchisor and Developer are, on this day, entering into a BBDI LLC Franchise Agreement, whereby Developer will be granted the right to operate one (1) Franchised Restaurant;

Developer wishes to obtain certain rights to develop additional Black Bear Diner restaurants under Franchisor's System, within the Development Area specified in this Agreement and according to the Development Schedule specified in this Agreement; and

WHEREAS, Franchisor is willing to grant such rights pursuant to the provisions stated below;

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

"Area Development Manager" means the individual who devotes his or her full-time and best efforts in overseeing the operations of the Franchised Restaurants developed under this Development Agreement as further described in Section 4.6 hereof;

"Confidential Information" means the recipes, ingredients, trade secrets, methods of food preparation, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques, and knowledge of and experience in operating a Black Bear Diner restaurant;

"Development Agreement" means this agreement entitled "BBDI LLC Area Development Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Development Area" has the meaning given to such term in Section 2.1 as shown on the map set out in Exhibit A hereof;

"Development Fee" has the meaning given to such term in Section 3.1 hereof;

"Development Rights" means the rights granted to Developer to establish and operate Franchised Restaurants in the Development Area under the terms of this Development Agreement and the Franchise Agreement;

"Development Schedule" means the dates to begin operation of each Franchised Restaurant as specified in Exhibit B to this Development Agreement;

"Franchise Agreement" means the then-currently used form of the BBDI LLC franchise agreement that Franchisor is offering to new franchisees.

"Gift Shop Products" means all products featuring the Marks and other products which Franchisor has authorized for resale from the Black Bear Diner Gift Shop located within the Franchised Restaurant.

"Marks" means certain names and marks, including "Black Bear Diner," as well as other tradenames, service marks, trademarks, logos, insignias, symbols and designs as designated by Franchisor or as Franchisor may designate in the future for use with the System;

"System" means the Black Bear Diner System which consists of, among other things, a distinctive exterior and interior trade dress utilizing specially designed décor, furniture, fixtures and accessories; an on-premises gift shop known as a "Black Bear Diner Gift Shop"; recipes and menu items; food preparation methods and food products; operating standards and food, beverage and equipment specifications; operational, management and record-keeping procedures also referred to as the "Bear Necessities Quality Control Program"; advertising and marketing techniques and trade secrets and confidential information; all of which may be changed, improved, and further developed by Franchisor from time to time.

"Personal Guarantors" means those persons as specified in Section 3.3 who are required to sign the Guarantee and Assumption of Obligations in Exhibit C;

2. GRANT OF DEVELOPMENT RIGHTS

2.1 Grant

Subject to the provisions stated below, Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, the right and obligation to establish and operate _____ (__) Black Bear Diner restaurants in the Development Area described in Exhibit A attached to this Development Agreement.

2.2 Exclusivity and Retained Rights

So long as Developer is in compliance with the terms of this Development Agreement, Franchisor will not, for the term of this Development Agreement, establish or operate, or license others to establish or operate a restaurant utilizing the System and the Marks within the Development Area other than to Developer pursuant to this Development Agreement; provided, however, Franchisor retains the right to:

(i) operate and license others to operate restaurant(s) using the System and Marks at locations outside the Development Area and on such terms and conditions as Franchisor deems appropriate;

(ii) operate and license others to operate restaurant(s) operating under names other than "BLACK BEAR DINER" at any location whether within or outside the Development Area, regardless of the proximity to any Black Bear Diner restaurant developed or under development by Developer, and on such terms and conditions as Franchisor deems appropriate;

(iii) license others to use the Marks in connection with the selling of certain food items and ingredients, including the Gift Shop Products through alternative channels of distribution including, but not limited to, grocery stores, convenience stores, mail order and Internet sales, which may be either within or outside the Development Area; and

(iv) engage in any activities not expressly forbidden by this Development Agreement.

3. FEES

3.1 Development Fee and Initial Franchise Fee

Simultaneously with the execution of this Agreement, Developer shall execute a Franchise Agreement for the first Franchised Restaurant to be developed, and shall pay the initial Franchise Fee for said Franchised Restaurant in the amount of _____ DOLLARS ($_____). In addition, Developer shall pay an amount equal to _____ ($_____) for each Black Bear Diner restaurant to be developed in the Development Area ("Development Fee"). The amount of the Development Fee is _____ DOLLARS ($_____). The total to be paid at the time of execution of this Agreement is _____ _____ DOLLARS ($_____). The Development Fee is fully earned by Franchisor and is non-refundable upon execution of this Agreement, but shall be credited against the initial Franchise Fee at the rate of _____ DOLLARS ($_____) for each Franchised Restaurant opened pursuant to this Agreement. The balance of each initial Franchise Fee shall be due and payable at the time of signing the Franchise Agreement for each Franchised Restaurant.

3.2 Other Fees

For each Franchise Agreement to be executed under the terms of the Development Agreement, Developer, as Franchisee, will be obligated to pay Royalty fees and Marketing Fund Contributions at the percentage rate as provided in the then-current Franchise Agreement for each Franchised Restaurant.

3.3 Guarantee of Performance

Each present and future: (i) shareholder of a Developer that is a corporation with at least a twenty-five percent (25%) equity interest in Developer; (ii) member of a Developer that is a limited liability company with at least a twenty-five percent (25%) equity interest in Developer; (iii) partner of a Developer that is a partnership with at least a twenty-five percent (25%) equity interest in

Developer; (iv) partner of a Developer that is a limited liability partnership with at least a twenty-five percent (25%) equity interest in Developer; (v) general partner of Developer that is a limited partnership; (vi) or managing member of a Developer that is a limited liability company; shall jointly and severally guarantee Developer's performance of each and every provision of this Agreement by executing the Guarantee in the form attached to this Agreement as Exhibit C.

4. DEVELOPMENT OBLIGATIONS

4.1 Minimum Development Obligation

Developer shall be bound by and strictly follow the Development Schedule set forth in Exhibit B of this Development Agreement. By the dates set forth under the Development Schedule, Developer shall enter into a Franchise Agreement to establish and operate Black Bear Diner restaurants in the number indicated in the Development Schedule. Developer acknowledges and agrees that the time limits and time frames set forth in and inherent in the Development Schedule shall govern Developer's obligations hereunder. Developer will enter into a separate Franchise Agreement with Franchisor pursuant to this Agreement for each Franchised Restaurant to be developed under this Agreement. Developer shall at all times continuously maintain in operation pursuant to each Franchise Agreement at least the number of Franchised Restaurants set forth in the Development Schedule.

4.2 Exercise of Development Rights

For each Black Bear Diner restaurant to be developed hereunder, Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, term sheet, or other evidence satisfactory to Franchisor which describes Developer's favorable prospects for obtaining such site, and such other information or materials as Franchisor may reasonably require. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor. Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Black Bear Diner restaurant or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a Black Bear Diner restaurant at a site is based on its own independent investigation of the suitability of the site. For each Black Bear Diner restaurant to be developed hereunder, Developer shall execute a lease/sublease that complies with the applicable provisions of the Franchise Agreement, or a binding agreement to purchase the site. Franchisee acknowledges and agrees that, notwithstanding the execution of this Development Agreement and any applicable exhibits and attachments thereto, the selection and approval of a site that may become an Approved Location under a Franchise Agreement shall be governed by the Franchise Agreement and Franchisor's site review and approval procedures as set forth in Franchisor's Manual. Within 30 days after receipt of the site

approval package by Franchisor, Franchisor shall deliver two (2) copies of the Franchise Agreement along with a copy of its then current franchise disclosure document, if required by law. Immediately upon receipt of the franchise disclosure document, Developer shall return to Franchisor a signed copy of the Receipt Page of the disclosure document. Developer shall execute and deliver as instructed by Franchisor two copies of said Franchise Agreement and the balance of the Franchise Fee therefore as provided in Section 3.1 above.

4.3 Franchisor's Duties

Franchisor shall furnish to Developer site selection guidelines, including Franchisor's minimum standards for a location for the Black Bear Diner restaurant, and such site selection assistance as Franchisor may deem advisable. In response to Developer's request for site approval, Franchisor shall perform one (1) on-site evaluation of a proposed site for each Black Bear Diner restaurant to be developed hereunder. Franchisor shall perform additional on site evaluations as Franchisor may deem advisable in response to Developer's requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site(s) in addition to Franchisee's first proposed site for each Black Bear Diner restaurant. If additional on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request) for any Black Bear Diner restaurant to be established, Developer shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation visit(s), including, without limitation, the cost of travel, lodging and meals.

4.4 Conditions Precedent to Franchisor's Obligations

Franchisor shall execute the Franchise Agreement for each Black Bear Diner restaurant to be developed under this Agreement only if: (i) Developer is in compliance with and is not in default of any requirements and obligations of this Development Agreement or any other agreements between Franchisor and Developer; and (ii) in the case of each then existing Franchise Agreement, Developer, as Franchisee, is in compliance with all and is not in default of any of its obligations under the Franchise Agreement. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer and Franchisor in accordance with the Development Schedule.

4.5 No Subfranchising by Developer

Developer shall have no right under this Agreement to sublicense, subfranchise, resell, or otherwise transfer any interest in this Agreement or any Franchise Agreement.

4.6 Area Development Manager

If Developer signs a Development Agreement for five (5) or more Franchised Restaurants then Developer agrees to have an Area Development Manager to oversee the operations of all Franchised Restaurants. Developer agrees that its Development Manager: a) shall exert full-time and best efforts to the development and operation of all Black Bear Diner restaurants that Developer owns; (b) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with Developer's obligations hereunder; and (c) must complete Franchisors initial training program required of new franchisees to Franchisor's satisfaction.

5. TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder to Developer shall expire on the earlier to occur of the actual opening date of the last of the Black Bear Diner restaurants required to be developed pursuant to the Development Schedule or the last day of the last Development Period under the Development Schedule. At the end of the term of this Development Agreement, the exclusive Development Rights with respect to the Development Area will automatically terminate, and Developer will not have the right to renew or extend the term of this Development Agreement.

6. MARKS AND CONFIDENTIAL INFORMATION

6.1 No License Under Development Agreement

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant the Developer any right to use the Marks. The rights to use the Marks are granted only under the Franchise Agreement(s) entered into between Franchisor and Developer for the purpose of operating Black Bear Diner restaurants(s). Developer shall not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms designs, or symbols, or in any modifying words, terms designs or symbols, or in any modified form, nor may Developer use any Mark, in connection with any business or activity, other than the business conducted by Developer pursuant to Franchise Agreement(s) entered into between Developer and Franchisor, or in any other manner not explicitly authorized in writing by Franchisor.

6.2 Confidential Information

Except as hereinafter provided, Developer shall not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person or entity any Confidential Information which may be communicated to Developer or of which Developer may be apprised by virtue of Developer's activities under this Agreement or any Franchise Agreement with Franchisor. Developer may divulge such Confidential Information only to such of its employees as deemed necessary by Developer, and to other third parties with the prior written approval of Franchisor. All information which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate came to its attention by lawful means prior to disclosure thereof by Franchisor, or which, at or after the time of disclosure by Franchisor to Developer, had become or later becomes a part of the public domain, through publication or communication by others. At Franchisor's request, Developer shall require its employees and any other person to whom Developer wishes to disclose any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of such information.

7. TRANSFERS

7.1 By Franchisor

This Development Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the

obligations of Franchisor hereunder and Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

7.2 By Developer

7.2.1 If Developer is a corporation, limited liability company, partnership, or limited liability partnership, each principal of Developer with at least a ten percent (10%) equity ownership interest in Developer ("Principal"), and the interest of each Principal in Developer, is identified in Exhibit C hereto. Developer represents and warrants that its owners are as set forth on Exhibit C attached to this Agreement, and covenants that it will not permit the identity of such owners, or their respective interests in Developer, to change without complying with this Agreement. Franchisor shall have the right to designate any person or entity which owns a direct or indirect interest in Developer as a Principal, and Exhibit C shall be so amended automatically upon notice thereof to Developer. Throughout the term of this Agreement, Franchisor shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in Developer.

7.2.2 This Agreement has been entered into by Franchisor in reliance upon and in consideration of the individual or collective character, reputation, skill, attitude, business ability, and financial capacity of Developer or, if applicable, its Principals who will actively and substantially participate in the development, ownership and operation of the Black Bear Diner restaurants. Accordingly, except as otherwise may be permitted herein, neither Developer nor any of Developer's Principals shall directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or in all or substantially all of Developer's assets, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise (a "Transfer"), without Franchisor's prior written consent, which consent may be withheld for any reason whatsoever in Franchisor's sole subjective judgment.

7.2.3 If Developer is a business entity, each of the following shall be deemed to be a Transfer of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of 10% or more in the aggregate, whether in one or more transactions, of the assets, capital stock, membership interests or voting power of Developer, by operation of law or otherwise; (ii) the issuance of any securities by Developer which itself or in combination with any other transaction(s) results in the Principals existing as of the Effective Date, owning 75% or less of the outstanding shares, membership interests or voting power of Developer as constituted as of the date hereof; (iii) if Developer is a partnership, the withdrawal, death or legal incapacity of a general partner or limited partner owning 10% or more of the voting power, property, profits or losses, or partnership interests of the partnership, or the admission of any additional general partner or the transfer by any general partner of any of its partnership rights in the partnership; (iv) the death or legal incapacity of any Principal owning 10% or more of the capital stock, voting power, or partnership rights of Developer; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer control of the Developer, however effected.

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

7.3 Public or Private Securities Offering

Should Developer at some time in the future desire to make either a public or a private offering of its securities, prior to such offering and sale, and prior to the public release of any statements, data or other information of any kind relating to the proposed offering of Developer's securities, Developer shall secure the written approval of Franchisor, which approval shall not be unreasonably withheld. Developer shall secure Franchisor's prior written approval of any and all press releases, news releases and any and all other publicity, the primary purpose of which is in the public interest in its offering. Only to the extent that written approval has been given by Franchisor may Developer proceed to file, publish, issue and release and make public any data, material or information regarding its securities offering or the Franchised Restaurant. It is specifically understood that any review by Franchisor is solely for its own information, and its approval shall not constitute any kind of authorization, acceptance, agreement, endorsement, approval or ratification of the same, either express or implied; and Developer shall make no oral or written notice of any kind whatsoever indicating or implying that Franchisor and/or related corporations or persons have any interest in or relationship whatsoever to the proposed offering other than acting as Franchisor. Developer agrees to indemnify and hold harmless Franchisor and its subsidiaries, and their owners, directors, officers, members, employees, successors and assigns, from all claims, demands, costs, fees, charges, liabilities or expenses (including attorneys' fees) of any kind whatsoever arising from Developer's offering or information published or communicated and any actions taken with regard thereto.

7.4 Franchisor's Right of First Refusal

If Developer or its owners shall at any time determine to sell the Development Rights under this Development Agreement or any of their respective ownership interests in Developer, or any of Developer's assets (except in the ordinary course of business), Developer or its owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer to purchase such interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer may complete the sale of such interest, subject to Franchisor's approval as provided in this Section, provided that, if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

8. DEFAULT AND TERMINATION

8.1 Termination Without Opportunity to Cure

Franchisor shall have the right to terminate this Development Agreement by delivering a notice to Developer stating that Franchisor elects to terminate this Development Agreement as a result of any of the breaches set forth below. Such termination shall be effective upon delivery of such notice of termination if:

8.1.1 Developer becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer; or if Developer is adjudicated a bankrupt or insolvent; or if a bill in

equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Black Bear Diner restaurant developed hereunder is instituted against Developer and not dismissed within thirty (30) days; or if the real or personal property of Developer shall be sold after levy thereupon by any sheriff, marshal, or constable.

8.1.2 Developer makes or attempts to make an unauthorized assignment or transfer of this Development Agreement or an ownership interest in Developer;

8.1.3 Developer has made any material misrepresentation or omission in its application for the Development Rights conferred by this Development Agreement or is convicted of or pleads no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Marks;

8.1.4 Developer makes any unauthorized use of the Marks or unauthorized use or disclosure of the Confidential Information;

8.1.5 Franchisor has delivered a notice of termination of a Franchise Agreement in accordance with its terms and conditions or Developer has terminated a Franchise Agreement without cause; or

8.1.6 Developer fails to meet the Development Schedule set forth in Exhibit B as to either any specific Black Bear Restaurant to be developed or as to the Cumulative Number of Franchise Agreements for Black Bear Diner restaurants to be developed.

8.2 Termination With Opportunity to Cure

Except as otherwise provided in Section 8.1, if Developer fails to comply with any material term and condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or other development agreement between the Developer (or a person or entity affiliated with or controlled by the Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Black Bear Diner restaurants) will terminate without further notice to Developer, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

9. RIGHTS AND DUTIES ON TERMINATION OR EXPIRATION

9.1 Loss of Development Rights

Upon termination of this Development Agreement, the Development Rights granted to Developer under this Agreement shall automatically terminate. Developer shall have no additional rights to establish or operate any Black Bear Diner restaurant for which a Franchise Agreement has not been executed by Franchisor and Developer. Thereafter, Franchisor shall be entitled to establish, and to license others to establish, Black Bear Diner restaurants in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between Franchisor and Developer). No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto, except to the extent that any default under this Development Agreement constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by the Developer and shall control in determining whether any default exists under such Franchise Agreement.

9.2 Amounts Owed to Franchisor

Developer shall immediately pay to Franchisor upon termination or expiration of the Development Agreement any amounts owed by Developer to Franchisor which are then unpaid plus interest due.

9.3 Confidential Information

Developer agrees that upon termination or expiration of this Agreement, it and all of its employees, agents or other representatives will immediately cease to use and will maintain the absolute confidentiality of any Confidential Information disclosed or otherwise learned or acquired by Developer and will not use such Confidential Information in any business or otherwise. In addition, Developer shall comply with the covenants not to compete contained in Section 10.

10. NON-COMPETITION

10.1 In Term

Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership corporation or entity:

10.1.1 Divert or attempt to divert any business or customer of the Black Bear Diner restaurant or of any other Black Bear Diner restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks and the System.

10.1.2 Own, maintain, operate, engage in, or have any interest in any restaurant providing products and services similar to those provided by a Black Bear Diner restaurant.

10.2 Post-Term

Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, corporation or limited liability company or other entity: own an interest in, manage, operate, act as a consultant with respect to the management or operation of, or (in the same or a similar capacity as the capacity in which Developer has been engaged in such a business pursuant to this Agreement) engage in any restaurant providing products and services similar to those provided by a Black Bear Diner restaurant within the Development Area or within twenty-five (25) miles from the location of any Black Bear Diner restaurant as of the date of expiration or termination of this Agreement, without Franchisor's written consent. This Section 10.2 shall not apply to ownership by Developer of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

10.3 Modification of Covenants

Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10 is held unreasonable, then it shall be amended to provide for limitations upon post-term competition to the maximum extent provided and permitted by law.

10.4 Injunctive Relief

As any breach by Developer of any of the covenants contained in this section would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, Developer agrees that, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to an injunction prohibiting any conduct by Developer in violation of this Section 10.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 Independent Contractor

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship, that nothing in this Agreement is intended to constitute either party an agent, legal representative, joint venturer, joint employer, partner or employee of the other for any purpose whatsoever. Each party to this Development Agreement is an independent contractor, and neither shall be responsible for the debts or other liabilities incurred by the other. Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

11.2 Indemnification

Developer agrees to indemnify Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees against and to reimburse them for all such obligations, damages, and taxes for which they are held liable and for all costs reasonably incurred by them in the defense of any such claim brought against them or in any action in which they are named as a party, including without limitation reasonable attorneys' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Franchisor shall have the right to defend any such claim against it. The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

12. GENERAL CONDITIONS AND PROVISIONS

12.1 Non-Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance or omission of Franchisor to exercise any power or rights arising out of any breach or default by Developer of any of the terms, provisions or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

12.2 Notices

Any and all notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day of the transmission by facsimile, telegraph or other reasonably reliable electronic communication system; (c) two (2) business days after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All notices, payments and reports required by this Agreement shall be sent to Franchisor and Developer at the address specified below:

Notices to Franchisor: BBDI LLC
Attention: Chief Executive Officer
280 Hemsted Drive, Sui9te 200
Redding, California 96002

Notices to Developer: _____

Attention: _____

_____

_____

12.3 Cost of Enforcement or Defense

If Franchisor or Developer are required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

12.4 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor therefor and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

12.5 Entire Agreement

This Agreement, any exhibit attached hereto and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Developer concerning the subject matter hereof, and shall supersede all prior agreements. No other representation has induced Developer to execute this Agreement and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise; provided however, that nothing in the Area Development Agreement or any related agreement is intended to disclaim any representation made in Franchisor's Franchise Disclosure Document. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

12.6 Superiority of Franchise Agreement

For each Franchised Restaurant developed in the Development Area, a separate Franchise Agreement shall be executed and any individual franchise fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with an individual Franchised Restaurant within the Development Area are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Development Agreement and any such Franchise Agreement, the latter shall have precedence and superiority over the former.

12.7 Severability

Each paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall

not impair the operation of or affect the remaining portions, paragraphs, parts, terms and/or provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid paragraphs, parts, terms and/or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement, Franchisor may, at its option, terminate this Agreement. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Developer and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement. Developer expressly shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

12.8 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

12.9 Continuing Obligations

All obligations of Franchisor and Developer under this Development Agreement which expressly or by their nature survive the expiration or termination of this Development Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Development Agreement and until they are satisfied in full or by their nature expire.

12.10 Timing

Time is of the essence of this Agreement. It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. All references to time mean the time at Franchisor's office in Redding, California.

13. DISPUTE RESOLUTION

13.1 Choice Of Law

This Agreement and the rights of the parties will not take effect unless and until this Agreement is accepted and signed by Franchisor. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee (developer), unless the jurisdictional requirements of such laws are met independently without reference to this Section; provided, however, that if the covenants in Section 10 of this Agreement would not be enforceable under the laws of California, and the Development Area is located outside of California, then such covenants shall be interpreted and construed under the laws of the state in which the Development Area is located.

13.2 Dispute Resolution

The parties pledge to attempt to resolve any dispute between Franchisor and Franchisee or either party's affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or any Black Bear Diner restaurant in connection with this Agreement in accordance with the following process:

Face-to-Face Meeting. The parties pledge to attempt first to resolve any dispute at a face-to-face meeting. The face-to-face meeting shall be held at a neutral location at or near Franchisor's headquarters within 30 days after either Franchisee or Franchisor gives written notice to the other party proposing such a meeting. If such face-to-face meeting fails to result in a satisfactory resolution of the dispute then the parties agree to proceed to mediation.

Mediation. If the dispute remains unresolved after the face-to-face meeting, the parties agree to submit the dispute to non-binding mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association ("AAA"), unless the parties agree on alternative rules. The mediator must be a neutral person agreed upon by the parties and experienced in franchising. Any party may be represented by counsel and persons authorized to settle the dispute must attend any mediation session. The fees and expenses of the mediator shall be shared equally by the parties. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures.

Arbitration. This Agreement is a written agreement evidencing a transaction involving commerce and is, therefore, subject to the terms and provisions of the Federal Arbitration Act, Title 9 of the United States Code. All disputes arising out of or relating to this Agreement, or to any other agreements between the parties or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Redding, California, or such place as may be mutually agreeable to the parties, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. or at such other place as may be mutually agreeable to the parties. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance. A judgment may be entered upon the arbitration award by any state or federal court in California or the state within which the Development Area is located. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement or the Black Bear Diner restaurant conducted pursuant to this Agreement shall be entitled to recover its reasonable attorneys' fees and costs.

DEVELOPER EXPRESSLY ACKNOWLEDGES THAT DEVELOPER HAS READ THE TERMS OF THIS BINDING ARBITRATION PROVISION AND SPECIFICALLY AFFIRMS THAT THIS PROVISION IS ENTERED INTO WILLINGLY AND VOLUNTARILY AND WITHOUT ANY FRAUD, DURESS OR UNDUE INFLUENCE ON

THE PART OF FRANCHISOR OR ANY OF FRANCHISOR'S AGENTS OR EMPLOYEES.

13.3 Consent to Jurisdiction

The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business. The parties do hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

13.4 Cumulative Rights And Remedies

No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that shall cause it loss or damages including obtaining restraining orders, preliminary and permanent injunctions.

13.5 Limitations of Claims

Any claim in connection with this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within one (1) year from the date on which Developer or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

13.6 Waiver of Jury Trial

FRANCHISOR AND DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

14. ACKNOWLEDGMENTS

14.1 Receipt of Franchise Disclosure Document and Development Agreement

Developer acknowledges and agrees that Developer received (i) Franchisor's then current franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least 14 days prior to execution of this Agreement as required by such Trade Regulation Rule and (ii) a fully completed copy of this Agreement at least 7 days prior to execution as required by such Trade Regulation Rule.

14.2 True and Accurate Information

Developer affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Developer expressly acknowledging that Franchisor is relying upon the truthfulness, completeness

and accuracy of such information. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement

14.3 Required NASAA Statement

The following only applies in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

DEVELOPER:

If Developer is an individual:

Individually:

_____
Print Name:

_____

Individually:

_____
Print Name: _____

If Developer is a corporation, limited liability company or other entity:

_____
(Name of Developer)

By: _____

Print Name: _____

Title: _____

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DESCRIPTION OF DEVELOPMENT AREA

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

DEVELOPER:

If Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Developer is a corporation, limited liability company or other entity:

_____
(Name of Developer)

By: _____

Print Name: _____

Title: _____

EXHIBIT B TO THE AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

At the dates set forth below, the Developer is obligated by Section 4 of this Agreement to have signed Franchise Agreements for Franchised Restaurants indicated below:

Additional Franchised Restaurant No.	Development Period Ending (Date)	Cumulative Number of Franchise Agreements for Black Bear Diner restaurants

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____ 202_, by _____.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement of even date herewith ("Agreement") by BBDI LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally (1) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Developer") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) shall personally be bound by, and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTOR(S)

_____	_____
_____	_____
(print name)	(print name)
_____	_____
_____	_____
(print name)	(print name)

EXHIBIT D TO THE AREA DEVELOPMENT AGREEMENT

LIST OF PRINCIPALS

Name of Principal	Address and Telephone Number	Percent Interest

EXHIBIT D TO THE DISCLOSURE DOCUMENT

CONTENTS OF MANUAL

SECTION	NO. OF PAGES
Manual Overview	2
Introduction	5
General Information	5
Brand Image	3
Menu	6
Service/Guest Experience	3
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Human Resources and Training	5
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Information Technology Security	9
Financials	2
Crisis Communication	4
Epidemic/Pandemic Response	3
Safety and Security	6
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TOTAL	83

EXHIBIT E TO THE DISCLOSURE DOCUMENT

BBDI LLC

FINANCIAL STATEMENTS

BBDI LLC

FINANCIAL STATEMENTS

December 31, 2025 and December 25, 2024

BBDI LLC
Redding, California

FINANCIAL STATEMENTS
December 31, 2025 and December 25, 2024

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
BBDI LLC
Redding, California

Opinion

We have audited the financial statements of BBDI LLC, which comprise the balance sheets as of December 31, 2025 and December 25, 2024, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BBDI LLC as of December 31, 2025 and December 25, 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BBDI LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 and Note 9 to the financial statements, the Company is a wholly owned subsidiary of BBD Opco LLC (the Parent). The Company has various transactions with BBD Opco LLC and with entities under common control, recorded through intercompany and affiliate accounts. The amounts of such transactions may not necessarily be indicative of the amounts the Company would have incurred if the Company had been operated as an unaffiliated entity. The BBD Opco LLC term loan and line of credit are jointly and severally guaranteed by the Company. Since the Company is not the borrower under the debt, it is not reflected in the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BBDI LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BBDI LLC's ability to continue as a going concern for a reasonable period of time.

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



Crowe LLP

Oakbrook Terrace, Illinois
March 31, 2026

BBDI LLC
BALANCE SHEETS
December 31, 2025 and December 25, 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,413,690	$ 2,513,640
Restricted cash	899,353	210,320
Accounts receivable	952,728	1,003,941
Prepaid expenses and other assets	220,095	411,568
Related-party receivable (Note 9)	647,006	768,096
Total current assets	6,132,872	4,907,565
Right-of-use lease assets, net (Note 5)	408,226	510,192
Property and equipment, net (Note 2)	570,656	575,846
Other assets:		
Intangible assets, net (Note 3)	24,001,278	26,614,471
Intangible asset - related-party trademark license agreements, net (Note 3)	3,941,753	4,319,032
Goodwill, net (Note 3)	32,275	307,737
Total assets	$ 35,087,060	$ 37,234,843
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	$ 489,617	$ 192,994
Accrued payroll and related liabilities	645,882	972,035
Current portion of operating lease liability (Note 5)	110,376	105,194
Current portion of SBA loan under Paycheck Protection Program (Note 6)	9,839	29,323
Gift card contract liabilities	1,365,231	1,355,089
Current portion of franchise fee deposits	151,000	151,000
Other accrued liabilities	1,350,044	738,652
Total current liabilities	4,121,989	3,544,287
Long-term portion of franchise fee deposits	320,000	360,000
Operating lease liability, net of current portion (Note 5)	342,355	452,731
Long-term portion of SBA loan under Paycheck Protection Program (Note 6)	-	9,839
Total liabilities	4,784,344	4,366,857
Commitments and contingencies (Note 5)		
Member's equity (Note 7)	30,302,716	32,867,986
Total liabilities and member's equity	$ 35,087,060	$ 37,234,843

See accompanying notes to financial statements.

BBDI LLC
STATEMENTS OF INCOME
Years ended December 31, 2025 and December 25, 2024

	2025	2024
Revenues		
Royalty	$ 11,248,665	$ 10,791,143
Royalty, related-party (Note 9)	8,645,633	8,345,526
Advertising	2,591,806	2,479,566
Advertising, related party (Note 9)	1,921,331	1,855,249
Franchise fees (Note 4)	175,000	79,000
	24,582,435	23,550,484
Expenses (income)		
Payroll and benefits	3,595,063	3,655,598
Advertising and related expenses	4,402,891	4,343,464
Occupancy and utilities	656,244	634,317
Selling, general and administrative	1,588,645	1,627,685
Travel and lodging	918,120	753,847
Office supplies	52,201	51,172
Professional services	1,520,744	1,461,014
Depreciation and amortization of property and equipment	129,650	118,463
Amortization of intangible assets and goodwill	3,265,934	3,284,405
Other income	(15,379)	(29,203)
	16,114,113	15,900,762
Net income	$ 8,468,322	$ 7,649,722

See accompanying notes to financial statements.

BBDI LLC
STATEMENTS OF MEMBER'S EQUITY
Years ended December 31, 2025 and December 25, 2024

	Contributed Capital	Accumulated Deficit	Total Member's Equity
Balance, December 28, 2023	$ 67,656,110	$ (28,370,371)	$ 39,285,739
Profits interest units compensation	35,000	-	35,000
Net income	-	7,649,722	7,649,722
Distributions, net	-	(14,102,475)	(14,102,475)
Balance, December 25, 2024	67,691,110	(34,823,124)	32,867,986
Profits interest units compensation	283,000	-	283,000
Net income	-	8,468,322	8,468,322
Distributions, net	-	(11,316,592)	(11,316,592)
Balance, December 31, 2025	$ 67,974,110	$ (37,671,394)	$ 30,302,716

See accompanying notes to financial statements.

BBDI LLC
STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and December 25, 2024

	2025	2024
Cash flows from operating activities:		
Net income	$ 8,468,322	$ 7,649,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets and goodwill	3,265,934	3,284,405
Profits interest units compensation	283,000	35,000
Depreciation and amortization of property and equipment	129,650	118,463
Amortization of right-of-use lease assets	101,966	100,232
Changes in operating assets and liabilities:		
Accounts receivable	51,213	(147,513)
Related-party receivable	121,090	28,128
Prepaid expenses and other assets	191,473	(98,052)
Accounts payable	296,623	(328,905)
Accrued payroll and related liabilities	(326,153)	(1,202,185)
Reduction of operating lease liabilities	(105,194)	(100,138)
Franchise fee deposits	(40,000)	(28,000)
Gift card contract liabilities	10,142	78,454
Other accrued liabilities	611,392	175,044
Net cash provided by operating activities	13,059,458	9,564,655
Cash flows from investing activities:		
Purchases of property and equipment	(124,460)	(179,687)
Net cash used in investing activities	(124,460)	(179,687)
Cash flows from financing activities:		
Repayments of SBA loans under the Paycheck Protection Program	(29,323)	(29,031)
Member distributions	(11,316,592)	(14,102,475)
Net cash used in financing activities	(11,345,915)	(14,131,506)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,589,083	(4,746,538)
Cash, cash equivalents and restricted cash, beginning of year	2,723,960	7,470,498
Cash, cash equivalents and restricted cash, end of year	$ 4,313,043	$ 2,723,960
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 3,413,690	$ 2,513,640
Restricted cash	899,353	210,320
Total cash, cash equivalents and restricted cash	$ 4,313,043	$ 2,723,960

See accompanying notes to financial statements.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: BBDI LLC (the Company) franchises restaurants under the Black Bear Diner brand. The Company provides marketing strategies, organizational expertise, and site acquisition support for franchised restaurants and restaurants under common control. The Company's principal markets are in the western and central United States of America, with operations in fourteen states. The following table provides additional information about the Company-owned and franchised restaurants operating as of December 31, 2025 and December 25, 2024:

	2025	2024
Franchised restaurants	97	92
Company-owned restaurants	72	70
Total	169	162

The Company-owned restaurants are operated by Bear Tracks Holdings LLC (BTH), an entity under common control with the Company. The Company and BTH are owned by BBD Opco LLC (Parent). BBD Opco LLC is owned by BBD Intermediate Holdco, LLC (Intermediate) and for which Intermediate is ultimately owned by BBD Holdco LLC (Holdco).

The Company also operates a national advertising fund (NAF) which administers national, regional, and local advertising and marketing initiatives for the brand. The Company receives funds from Black Bear Diner branded restaurants approximating 1.00% of revenue. The Company physically segregates these funds to ensure that the funds are utilized specifically for advertising and other brand development initiatives as defined in the respective franchise agreements. From time to time, the Company utilizes the funds received from franchisees for advertising purposes as reimbursement of its costs, including salaries and other internal costs of administering the NAF. The reimbursements totaled $122,909 and $172,139 for the years ended December 31, 2025 and December 25, 2024, respectively, and are netted within payroll and benefits expenses on the statements of income. The production costs of advertising are expensed when the advertisements are first aired or displayed. All other advertising and promotional costs are expensed in the period incurred.

Use of Estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Areas that include significant estimates made by management include, but are not limited to, gift card breakage, estimated useful lives and carrying value of long-lived assets and the valuation of intangible assets and goodwill. Actual results could differ significantly from those estimates.

Fiscal Year: The Company utilizes a 52/53-week fiscal year ending on the last Wednesday prior to December 31. The Company's financial statements reflect accounts and balances as of and for the fiscal years ended December 31, 2025 and December 25, 2024, which contained 53 and 52 weeks, respectively.

Revenue Recognition: The Company recognizes revenue in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606) when the customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company's revenues consist primarily of royalties, advertising fund contributions, initial franchise fees and upfront fees from development agreements. Under franchise agreements, the Company provides franchisees with (i) a franchise license, which includes a license to use the Company's intellectual property (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. The Company concluded that the services represent individually distinct performance obligations from the broader franchise license agreement. Consequently, the Company distinguishes the promises to provide services separately from the franchise license performance obligation, the latter of which is satisfied by providing a right to use the Company's intellectual property over the term of each franchise agreement.

Franchise Fee - The Company grants franchises to operators in exchange for an initial franchise fee plus royalties (see *Royalty* below) based upon the sales generated for each restaurant. Franchise agreements are typically ten years in length and require upfront deposits prior to a new restaurant opening. The Company records these deposits as franchise fee contract liabilities on the balance sheet as both current and long-term. Initial franchise fees are recognized as revenue when the performance obligations under the franchise agreement are satisfied, which occurs upon the opening of the new franchise restaurant.

Royalty - Franchise royalties are based on a percentage of the sales, typically 4.50%, generated by the Company's franchised restaurants. Royalty revenues attributable to franchised restaurants are recognized in the same period the sales are generated at the franchise restaurants. Similarly, the Company has a related party trademark license agreement with BTH that requires BTH restaurants to pay the Company a 4.50% royalty. This arrangement is more fully described within Note 9 - Related-Party Transactions.

Advertising - Franchisees are contractually obligated to contribute into certain advertising and marketing funds. There are no distinct performance obligations associated with the franchise advertising contributions received by the NAF that are separate from the Company's royalty stream. As a result, these franchise contributions and the related expenses are presented gross in the Company's statements of income and statements of cash flows.

Other - Periodically, the Company receives funds from vendors primarily to sponsor conferences. Amounts determined to be unearned are deferred and are included as a component of other accrued liabilities in the balance sheets until the related expenses are charged to operations.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash: As further discussed in Note 4 - *Franchising* and above, the Company receives cash from franchisees under the marketing fund program. All such funds are segregated from the Company's cash accounts and classified as restricted cash on the balance sheet. At December 31, 2025 and December 25, 2024, the Company had $899,353 and $210,320 of cash restricted under its marketing fund.

Accounts Receivable: Accounts receivable are comprised principally of amounts due to the Company from franchised restaurants. The Company carries its receivables at their face amounts less an allowance for credit losses, which is based on historical losses, the franchised restaurant's current ability to pay its obligation, existing economic conditions and economic outlook, and other information available at the balance sheet dates. The Company monitors its accounts receivable and charges to expense an amount equal to its estimate of potential credit losses. Accounts receivable balances are charged off against the allowance when it is determined that the receivable will not be recovered. No allowance for credit losses was required at December 31, 2025 and December 25, 2024.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Credit Losses: The Company uses of a forward-looking approach to estimate expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments including accounts receivable.

Related-party Receivable: Related-party receivable includes amounts due to the Company from BTH (see Note 9 - *Related-Party Transactions*). The Company determined that no allowance for uncollectable accounts is required for the related-party receivable.

Concentration of Credit Risk: At times, the Company maintains deposits with its financial institutions in excess of insured limits. The Company has not experienced any losses on such accounts and does not believe it is exposed to any significant risk with respect to cash and cash equivalents.

Property and Equipment: Property and equipment consists primarily of leasehold improvements and office equipment which are recorded at cost. Equipment is depreciated over the asset's estimated useful life, generally three to seven years, using the straight-line method. Leasehold improvements are amortized over the estimated useful life of the asset or term of the related lease, whichever is shorter, using the straight-line method. The costs of repairs and maintenance are expensed as incurred while expenditures for refurbishments and improvements that extend the useful life of the asset are capitalized.

Right-of-Use Lease Assets and Lease Liabilities: Right-of-use ("ROU") lease assets represent the Company's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Company's obligation to make payments arising from operating leases. The lease liabilities are based on the present value of fixed payments over the lease term using the implicit lease interest rate or when unknown, the risk-free rate on the lease commencement date. If the lease includes one or more options to extend the terms of lease, the renewal option is considered in the lease if it is reasonably certain the Company will exercise the options. Operating lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are considered short-term leases and are not recorded on the accompanying balance sheet. Variable lease payments consist primarily of operating expenses, property taxes, and maintenance, which are not included in the recognition of ROU lease assets and the related lease liabilities.

As of December 31, 2025 and December 25, 2024, the weighted average remaining lease term was 3.8 years and 4.8 years, respectively, and the weighted average discount rate used to calculate the ROU asset was 1.66%.

A summary of amounts reported within the balance sheets is as follows:

	2025	2024
Right-of-use lease assets	$ 408,226	$ 510,192
Current portion of operating lease liability	110,376	105,194
Operating lease liability, net of current portion	342,355	452,731

Intangible Assets: Finite-lived intangible assets consist of trade name, trademark license agreements with related party, and franchise agreements. The trade name is amortized on the straight-line basis, while the franchise agreements and trademark license agreement intangible assets are amortized based on the weighted average expected cash flows of the corresponding intangible asset. The related party trademark license agreement is with BTH does not have a stated expiration date, and can be cancelled by either party with 60-day notice. The corresponding related party trademark license agreement was determined to have a 20 year useful life.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Impairment of Long-lived Assets: The Company periodically reviews the carrying value of long-lived assets to assess the recoverability of these assets and records impairment charges when events or changes in circumstances indicate that the assets might be impaired. Management determined that no impairment of long-lived assets existed during the years ended December 31, 2025 and December 25, 2024.

Goodwill: Goodwill represents the excess purchase price over the fair value of the net assets of the business acquired. Goodwill is amortized on a straight-line basis over a period of ten years. The Company tests its goodwill for impairment only upon the occurrence of an event or circumstance that may indicate the fair value of the Company is less than its carrying amount. As of December 31, 2025 and December 25, 2024, the Company determined that there was no impairment of goodwill.

Gift Cards: The Company's gift cards carry no dormancy, inactivity or service fees, and have no expiration date. The gift cards are sold primarily at restaurant locations and through the Company's website and are redeemable at all restaurant locations. The Company has gift card service agreements to receive and hold the proceeds of gift card sales until a customer uses the card to purchase merchandise or services from a participating restaurant location. When a customer uses a gift card to purchase merchandise or services from a participating restaurant location, the participating restaurant location is obligated to accept the gift card as payment for its goods or services, and the Company is obligated to reimburse the participating restaurant location for the sales price of the goods or services purchased with the gift card. The Company is primarily liable to the customer for the value of the gift card until the card is redeemed. When the gift cards are issued, a liability is recorded by the Company. When the gift cards are redeemed, there is an offset of the liability account. Revenues (and related expenses) are recognized by the participating restaurant location upon exchange for goods and services. The Company recognizes revenue from gift card breakage in proportion to the pattern of related gift card redemptions.

Income Taxes: The Company is organized as a single member LLC and has elected to be taxed as a limited liability company under the Internal Revenue Code and is considered a disregarded entity for federal and substantially all state tax purposes. The Company's operations are included in the tax return of BBD Holdco LLC, the ultimate parent of both BBD Opco LLC and the Company, and the individual members of BBD Holdco LLC are responsible for reporting the earnings and losses on their income tax returns and pay income taxes on their allocable ownership percentages. Accordingly, no provision or liability for federal or substantially all state income taxes has been included in the financial statements of the Company.

Management of the Company believes there are no uncertain income tax positions taken which would require the Company to reflect a liability for unrecognized income tax benefits on the accompanying balance sheets. An income tax position is recognized as a benefit only if it is "more likely than not" that the income tax position would be sustained in an income tax examination, with an income tax examination being presumed to occur. The amount recognized is the largest amount of income tax benefit that is greater than 50% likely of being realized on examination. For income tax positions not meeting the "more likely than not" test, no income tax benefit is recorded.

Management of the Company believes that with few exceptions, the Company is no longer subject to income tax examinations by any income tax authorities for fiscal years prior to 2022. The Company does not expect the total amount of unrecognized income tax benefits to change significantly in the next 12 months.

Subsequent Events: Subsequent events have been evaluated through March 31, 2026, which is the date the financial statements were available to be issued.

(Continued)

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2025 and December 25, 2024:

	2025	2024
Computers and software	$ 161,501	$ 161,501
Leasehold improvements	404,821	404,821
Office equipment	606,928	482,468
	1,173,250	1,048,790
Less accumulated depreciation	(602,594)	(472,944)
	$ 570,656	$ 575,846

Depreciation expense for the years ended December 31, 2025 and December 25, 2024 was $129,650 and $118,463, respectively.

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following as of December 31, 2025 and December 25, 2024:

	Life in Years	2025	2024
Intangible assets subject to amortization:			
Trade name	20	$ 35,100,000	$ 35,100,000
Trademark license, related party	20	7,300,000	7,300,000
Franchise agreements	20	14,500,000	14,500,000
		56,900,000	56,900,000
Less accumulated amortization		(28,956,969)	(25,966,497)
		$ 27,943,031	$ 30,933,503

The amortization expense on intangible assets subject to amortization was $2,990,472 and $3,008,973 for the years ended December 31, 2025 and December 25, 2024, respectively. Included within amortization expense on intangible assets is $377,279 and $371,704 of amortization expense related to the related party trademark license agreement for the years ended December 31, 2025 and December 25, 2024, respectively.

(Continued)

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL (Continued)

Expected amortization expense for intangible assets subject to amortization for each of the succeeding five years and thereafter as of December 31, 2025 is as follows:

2026	$ 2,982,341
2027	2,957,114
2028	2,926,678
2029	2,906,991
2030	2,802,355
Thereafter	13,367,552
	$ 27,943,031

The Company had the following activity in goodwill:

Balance, December 26, 2023	$ 583,199
Less amortization expense	(275,462)
Balance, December 25, 2024	307,737
Less amortization expense	(275,462)
Balance, December 31, 2025	$ 32,275

The remaining balance of goodwill at December 31, 2025 of $32,275 is expected to be recognized within amortization expense during the year ending December 31, 2026.

NOTE 4 - FRANCHISING

The Company has franchised restaurants in markets in which it considers expansion to be of benefit. Franchisees bear all direct costs involved in the development, construction and operation of their restaurants. The Company provides franchisees support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques, and opening assistance.

Under the franchise agreements, the Company has the right to collect a percentage of restaurant sales from its franchise owners that is required to be utilized for marketing activities. The Company generally oversees all advertising programs with sole discretion over the creative concepts, materials and media used in such programs, and the placement and allocation thereof under the Company's marketing fund. Although the Company manages the marketing fund in a manner that benefits franchisees uniformly, the Company cannot and does not ensure that any franchisee will benefit directly or pro rata from the placement of advertising by the marketing fund. The Company is contractually obligated to spend these funds in a manner consistent with the franchise agreements.

(Continued)

NOTE 4 - FRANCHISING (Continued)

Any franchisee contributions to the marketing fund may be used to meet costs of producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, digital, internet, magazine, newspaper and outdoor advertising campaigns and other public relations activities developing and/or hosting an internet web page of similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). The contributions by the franchisees to the marketing fund are maintained in a separate account from the funds of the Company and are not used to defray any of the Company's general operating expenses, except for such reasonable administrative costs and overhead, if any, as the Company may incur in activities reasonably related to the administration or direction of the marketing fund.

Although the Company intends the marketing fund to be of perpetual duration, the Company maintains the right to terminate the marketing fund. The marketing fund shall not be terminated, however, until all monies in the marketing fund have been expended for advertising and promotional purposes or returned to the franchisees on a pro rata basis. Franchisees acknowledge that the marketing fund is not a trust and the Company assumes no fiduciary duty in administering the marketing fund.

The Company also collects a similar percentage of sales from the restaurants that are owned and operated by BTH to be utilized for marketing activities. The following table presents certain balances and activity of the NAF as of and for the fiscal years ended December 31, 2025 and December 25, 2024:

	2025	2024
Restricted cash	$ 899,353	$ 210,320
Accounts receivable	82,523	148,563
Accounts payable	406,486	50,065
Accrued expenses	246,109	76,282
Advertising revenues	2,591,806	2,479,566
Advertising revenues, related party	1,921,331	1,855,249
Advertising and related expenses	4,402,891	4,343,464

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Leases: The Company leases corporate office space in Redding, California. The lease was entered into effective July 1, 2021 with payments beginning November 1, 2021 and annual incremental base rent payments through lease expiration at the end of October 2029. Rental expense for all operating leases was $115,953 and $114,916 for the years ended December 31, 2025 and December 25, 2024, respectively.

(Continued)

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental payments required by the lease in accordance with ASC 842 as of December 31, 2025, are as follows:

2026	$	116,898
2027		120,406
2028		124,014
2029		105,920
Total minimum lease payments		467,238
Less: imputed interest		(14,507)
Present value of lease liability		452,731
Less: current portion of operating lease liability		(110,376)
Operating lease liability, net of current portion	$	342,355

Litigation: The Company is subject to litigation and pending claims arising in the ordinary course of business. The Company records reserves for such matters when payment is probable, and the amount of a claim is reasonably estimable. The ultimate resolution of pending claims has not had and is not expected to have a material adverse effect on the Company's financial condition, position or cash flows at December 31, 2025 and December 25, 2024.

NOTE 6 - GOVERNMENT ASSISTANCE PROGRAMS

Paycheck Protection Forgivable Program Loans: As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, on March 16, 2021, the Company received a Second-Draw Paycheck Protection Program (PPP-SD) loan in the principal amount of $1,124,900 from the SBA in accordance with the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act"). The PPP-SD loan has a stated interest rate of 1% per annum and has a contractual maturity date of March 1, 2026.

The Company has elected to account for its PPP-SD loan as debt in accordance with ASC 470 - Debt. Under ASC 470, the PPP-SD loan proceeds are initially recorded as a long-term debt and subsequently recognized as other income if and when the loan balance is legally forgiven by the SBA.

During the year ended December 29, 2021, the Company submitted its applications for forgiveness of the PPP-SD loan to the SBA. The Company received partial forgiveness in the amount of $999,509 of the PPP-SD loan. As of December 31, 2025 and December 25, 2024, the remaining outstanding balance on the PPP-SD loan is recorded as long-term debt with the current portion reflected in current liabilities in the balance sheet.

Under the terms of the Paycheck Protection Program, a PPP loan provides for conditional forgiveness if the Company utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. Although the Company believes the conditions for full forgiveness of the PPP-SD loan have been met, ultimate forgiveness is conditioned upon the SBA concurring with the Company's good-faith assessment that the current economic uncertainty made the loan request necessary to support ongoing operations and the loan proceeds were used for admissible expenses. If the Company is later determined to have violated the provisions of the Paycheck Protection Program, the Company may be required to repay the PPP-SD loan in its entirety and/or be subject to additional penalties.

(Continued)

NOTE 7 - MEMBER'S EQUITY AND PROFITS INTEREST UNITS

Member's Equity: Oversight of the Company is performed by the elected Board of Members. Members and managers are indemnified by the Company against any and all losses, claims, demands, costs, damages and any other liabilities arising out of the business of the Company. Distributions are made in accordance with distribution provisions as more fully described in the limited liability company operating agreement. During the years ended December 31, 2025 and December 25, 2024, the Company distributed $11,316,592 and $14,102,475 to the Parent, respectively.

Profits Interest Units: Holdco's operating agreement provides for the grant of profits interest units to officers and employees of both the Company and Holdco. The operating agreement provides for time-based vesting units and performance-based vesting units. Profit interests units time-based vesting units vest either (i) 50% upon the 3rd year anniversary of the grant, 25% upon the 4th year anniversary, and the remaining 25% upon the 5th anniversary or (ii) 50% equally upon the 1st and 2nd year anniversary of the grant. Total compensation expense related to profits interests was $283,000 and $35,000 for the years ended December 31, 2025 and December 25, 2024, respectively.

The performance-vested profits interests remain unvested until a liquidity event and are forfeited upon termination of employment. The Company will make distributions with respect to the vested profit interest units in accordance with the terms of operating agreement, whereby profits interest unit holders will share in residual return after preferred unit and common unit holders receive distributions equal to their original investment. The distribution threshold for newly issued profit interest units is adjusted each year. The profit interest unit holders are eligible to receive tax distributions from the Company. There were no tax distributions made during the years ended December 31, 2025 and December 25, 2024 related to profit interests held. As of both December 31, 2025 and December 25, 2024, the maximum profits interest units that may be issued is limited to 9,894,166. No compensation expense has been recorded relating to the performance-based profits interest units granted as they will vest only upon the occurrence of a liquidity event. As of December 31, 2025, there is approximately $290,000 of unrecognized compensation expense attributable to the time-based vesting units, which will be recognized over the weighted average remaining vesting period of approximately 1.12 years.

(Continued)

NOTE 7 - MEMBER'S EQUITY AND PROFITS INTEREST UNITS (Continued)

A summary of profit interest unit activity for the years ended December 31, 2025 and December 25, 2024, is presented within the table below. This table reflects all profits interest units available under the plan and not necessarily those that are specifically attributable only to the Company.

	Time-based Vesting Units	Performance-Based Vesting Units	Total Profits Interest Units
Outstanding at December 28, 2023	4,287,273	1,837,404	6,124,677
Forfeited	(68,752)	(132,558)	(201,310)
Granted	3,864,727	-	3,864,727
Outstanding at December 25, 2024	8,083,248	1,704,846	9,788,094
Forfeited	(27,376)	(172,251)	(199,627)
Granted	-	-	-
Outstanding at December 31, 2025	8,055,872	1,532,595	9,588,467
Vested at December 31, 2025	6,098,969	-	6,098,969

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Company participates in a 401(k) profit sharing plan (the Plan), which is sponsored by BBD Opco LLC. The Plan covers all eligible employees, except executive management of the Company, who have attained age 21 and have completed one year of eligible service. Contributions to the Plan include (1) the amount of salary reduction elections of all participants, (2) employer-matching contributions equal to 50% of the matched employee contributions, not to exceed 6% of the employee's contributions, and (3) a discretionary employer profit sharing amount. All contributions are limited to the maximum amount allowed for federal income tax purposes. For the years ended December 31, 2025 and December 25, 2024, contributions to the plan totaled $48,121 and $47,448, respectively.

NOTE 9 - RELATED-PARTY TRANSACTIONS

Related Party Royalties: The Company is under common control with BTH, as both are subsidiaries of BBD Opco LLC. The Company collects royalty revenue from Black Bear Diner restaurants owned and operated by BTH under a trademark license agreement that requires BTH to pay a 4.50% royalty to the Company. The Company recognized $8,645,633 and $8,345,526 of royalty revenue from BTH for the years ended December 31, 2025 and December 25, 2024, respectively, which is included in the statements of income.

(Continued)

NOTE 9 - RELATED-PARTY TRANSACTIONS (Continued)

Allocated Administrative Services: The Company also shares certain management and administrative functions with BTH. The Company charged BTH the amount of $3,608,219 and $3,415,177 for allocable share of management and administrative expenses for the years ended December 31, 2025 and December 25, 2024, respectively, which is included with payroll and benefits expenses in the statements of income.

Related-Party Receivable: The related-party receivable is unsecured, interest free and repayable on demand. The related-party receivable at any point in time generally consists of any combination of receivables from royalty and advertising fees, receivables from allocation of shared management and administrative functions for which the Company bills and is reimbursed, gift card receivables from sales of gift cards at BTH owned restaurants for which cash has not yet been remitted to the Company, and from time to time, certain periodic working capital advances that the Company may make to entities under common control (BTH). As of December 31, 2025 and December 25, 2024, allocated administrative services receivable included within the related-party receivable totaled $251,902 and $254,205, respectively. Amounts outstanding at December 31, 2025 and December 25, 2024 were collected in full subsequent to each respective year end.

Parent Expense Reimbursement: During each of the years ended December 31, 2025 and December 25, 2024, the Company reimbursed GEF BBD Holdings LLC (the acquirer of Holdco) $24,472 and $36,366, respectively, for travel and lodging expenses related to the Board meetings and participation.

Guarantor of Parent Credit Agreement: Parent has a term loan and revolving line of credit with a bank that is jointly and severally guaranteed by the Company, BTH, the Parent, and Intermediate Holdco. The outstanding balance under the term loan and revolving line of credit agreement may become immediately due in the event of Parent’s default or noncompliance with covenant requirements of the agreement. At December 31, 2025 and December 25, 2024, the outstanding balance under the Parent term loan and revolving line of credit was $42,783,438 and $44,000,000, respectively. The maturity date of the term loan and revolving line of credit is September 30, 2029. Since the Company is not the borrower under the Parent debt, it is not reflected in the financial statements, and was not previously required to be pushed down to the Company under the push-down method of accounting.

BBDI LLC

FINANCIAL STATEMENTS
December 25, 2024 and December 27, 2023

BBDI LLC
Redding, California

FINANCIAL STATEMENTS
December 25, 2024 and December 27, 2023

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Members of the Board
BBDI LLC
Redding, California

Opinion

We have audited the financial statements of BBDI LLC, which comprise the balance sheets as of December 25, 2024 and December 27, 2023, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BBDI LLC as of December 25, 2024 and December 27, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BBDI LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 and Note 9 to the financial statements, the Company is a wholly owned subsidiary of BBD Opco LLC (the Parent). The Company has various transactions with BBD Opco LLC and with entities under common control, recorded through intercompany and affiliate accounts. The amounts of such transactions may not necessarily be indicative of the amounts the Company would have incurred if the Company had been operated as an unaffiliated entity. The BBD Opco LLC term loan and line of credit are jointly and severally guaranteed by the Company. Since the Company is not the borrower under the debt, it is not reflected in the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BBDI LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BBDI LLC's ability to continue as a going concern for a reasonable period of time.

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



Crowe LLP

Oakbrook Terrace, Illinois
March 27, 2025

BBDI LLC
BALANCE SHEETS
December 25, 2024 and December 27, 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,513,640	$ 6,875,480
Restricted cash	210,320	595,018
Accounts receivable	1,003,941	856,428
Prepaid expenses and other assets	411,568	313,516
Related-party receivable (Note 9)	768,096	796,224
Total current assets	4,907,565	9,436,666
Right-of-use lease assets, net (Note 5)	510,192	610,424
Property and equipment, net (Note 2)	575,846	514,622
Other assets:		
Intangible assets, net (Note 3)	26,614,471	29,251,711
Intangible asset - related-party trademark license agreements, net (Note 3)	4,319,032	4,690,735
Goodwill, net (Note 3)	307,737	583,199
Total assets	$ 37,234,843	$ 45,087,357
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	$ 192,994	$ 521,899
Accrued payroll and related liabilities	972,035	2,174,220
Current portion of operating lease liability (Note 5)	105,194	100,138
Current portion of SBA loan under Paycheck Protection Program (Note 6)	29,323	29,031
Gift card contract liabilities	1,355,089	1,276,635
Current portion of franchise fee deposits	151,000	-
Other accrued liabilities	738,652	563,608
Total current liabilities	3,544,287	4,665,531
Long-term portion of franchise fee deposits	360,000	539,000
Operating lease liability, net of current portion (Note 5)	452,731	557,925
Long-term portion of SBA loan under Paycheck Protection Program (Note 6)	9,839	39,162
Total liabilities	4,366,857	5,801,618
Commitments and contingencies (Note 5)		
Member's equity (Note 7)	32,867,986	39,285,739
Total liabilities and member's equity	$ 37,234,843	$ 45,087,357

See accompanying notes to financial statements.

BBDI LLC
STATEMENTS OF INCOME
Years ended December 25, 2024 and December 27, 2023

	2024	2023
Revenues		
Royalty	$ 10,791,143	$ 10,537,542
Royalty, related-party (Note 9)	8,345,526	8,041,863
Advertising	2,479,566	2,477,330
Advertising, related party (Note 9)	1,855,249	1,801,407
Franchise fees (Note 4)	79,000	133,500
	23,550,484	22,991,642
Expenses (income)		
Payroll and benefits	3,655,598	4,625,147
Advertising and related expenses	4,343,464	4,312,465
Occupancy and utilities	634,317	580,444
Selling, general and administrative	1,627,685	1,326,093
Travel and lodging	753,847	717,117
Office supplies	51,172	37,976
Professional services	1,461,014	1,230,626
Depreciation and amortization of property and equipment	118,463	86,353
Amortization of intangible assets and goodwill	3,284,405	3,292,515
Other income	(29,203)	(50,973)
	15,900,762	16,157,763
Net income	$ 7,649,722	$ 6,833,879

See accompanying notes to financial statements.

BBDI LLC
STATEMENTS OF MEMBER'S EQUITY
Years ended December 25, 2024 and December 27, 2023

	Contributed Capital	Accumulated Deficit	Total Member's Equity
Balance, December 29, 2022	$ 67,606,110	$ (27,239,250)	$ 40,366,860
Profits interest units compensation	50,000	-	50,000
Net income	-	6,833,879	6,833,879
Distributions, net	-	(7,965,000)	(7,965,000)
Balance, December 27, 2023	67,656,110	(28,370,371)	39,285,739
Profits interest units compensation	35,000	-	35,000
Net income		7,649,722	7,649,722
Distributions, net	-	(14,102,475)	(14,102,475)
Balance, December 25, 2024	$ 67,691,110	$ (34,823,124)	$ 32,867,986

See accompanying notes to financial statements.

BBDI LLC
STATEMENTS OF CASH FLOWS
Years ended December 25, 2024 and December 27, 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 7,649,722	$ 6,833,879
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	3,284,405	3,292,515
Profits interest units compensation	35,000	50,000
Depreciation and amortization of property and equipment	118,463	86,353
Amortization of right-of-use lease assets	100,232	98,637
Changes in operating assets and liabilities:		
Accounts receivable	(147,513)	12,843
Related-party receivable	28,128	(101,351)
Prepaid expenses and other assets	(98,052)	(43,039)
Accounts payable	(328,905)	229,428
Accrued payroll and related liabilities	(1,202,185)	614,625
Reduction of operating lease liabilities	(100,138)	(95,331)
Franchise fee deposits	(28,000)	(81,500)
Gift card contract liabilities	78,454	17,159
Other accrued expenses	175,044	(422,799)
Net cash provided by operating activities	9,564,655	10,491,419
Cash flows from investing activities:		
Purchases of property and equipment	(179,687)	(168,891)
Net cash used in investing activities	(179,687)	(168,891)
Cash flows from financing activities:		
Repayments of SBA loans under the Paycheck Protection Program	(29,031)	(28,742)
Member distributions	(14,102,475)	(7,965,000)
Net cash used in financing activities	(14,131,506)	(7,993,742)
Net increase (decrease) in cash, cash equivalents and restricted cash	(4,746,538)	2,328,786
Cash, cash equivalents and restricted cash, beginning of year	7,470,498	5,141,712
Cash, cash equivalents and restricted cash, end of year	$ 2,723,960	$ 7,470,498
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 2,513,640	$ 6,875,480
Restricted cash	210,320	595,018
Total cash, cash equivalents and restricted cash	$ 2,723,960	$ 7,470,498

See accompanying notes to financial statements.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: BBDI LLC (the Company) franchises restaurants under the Black Bear Diner brand. The Company provides marketing strategies, organizational expertise, and site acquisition support for franchised restaurants and restaurants under common control. The Company's principal market is in the western United States of America. The following table provides additional information about the Company-owned and franchised restaurants operating as of December 25, 2024 and December 27, 2023:

	2024	2023
Franchised restaurants	92	91
Company-owned restaurants	70	65
Total	162	156

The Company-owned restaurants are operated by Bear Tracks Holdings LLC (BTH), an entity under common control with the Company. The Company and BTH are owned by BBD Opco LLC (Parent). BBD Opco LLC is owned by BBD Intermediate Holdco, LLC (Intermediate) and for which Intermediate is ultimately owned by BBD Holdco LLC (Holdco).

The Company also operates a national advertising fund (NAF) which administers national, regional, and local advertising and marketing initiatives for the brand. The Company receives funds from Black Bear Diner branded restaurants approximating 1.00% of revenue. The Company physically segregates these funds to ensure that the funds are utilized specifically for advertising and other brand development initiatives as defined in the respective franchise agreements. From time to time, the Company utilizes the funds received from franchisees for advertising purposes as reimbursement of its costs, including salaries and other internal costs of administering the NAF. The reimbursements totaled $172,139 and $118,881 for the years ended December 25, 2024 and December 27, 2023, respectively, and are netted within payroll and benefits expenses on the statements of income. The production costs of advertising are expensed when the advertisements are first aired or displayed. All other advertising and promotional costs are expensed in the period incurred.

Use of Estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Areas that include significant estimates made by management include, but are not limited to, estimated useful lives and carrying value of long-lived assets and the valuation of intangible assets and goodwill. Actual results could differ significantly from those estimates.

Fiscal Year: The Company utilizes a 52/53-week fiscal year ending on the last Wednesday prior to December 31. The Company's financial statements reflect accounts and balances as of and for the fiscal years ended December 25, 2024 and December 27, 2023, which both contained 52 weeks.

Revenue Recognition: The Company recognizes revenue in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606) when the customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company's revenues consist primarily of royalties, advertising fund contributions, initial franchise fees and upfront fees from development agreements. Under franchise agreements, the Company provides franchisees with (i) a franchise license, which includes a license to use the Company's intellectual property (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. The Company concluded that the services represent individually distinct performance obligations from the broader franchise license agreement. Consequently, the Company distinguishes the promises to provide services separately from the franchise license performance obligation, the latter of which is satisfied by providing a right to use the Company's intellectual property over the term of each franchise agreement.

Franchise Fee - The Company grants franchises to operators in exchange for an initial franchise fee plus royalties (see *Royalty* below) based upon the sales generated for each restaurant. Franchise agreements are typically ten years in length and require upfront deposits prior to a new restaurant opening. The Company records these deposits as franchise fee contract liabilities on the balance sheet as both current and long-term. Initial franchise fees are recognized as revenue when the performance obligations under the franchise agreement are satisfied, which occurs upon the opening of the new franchise restaurant.

Royalty - Franchise royalties are based on a percentage of the sales, typically 4.50%, generated by the Company's franchised restaurants. Royalty revenues attributable to franchised restaurants are recognized in the same period the sales are generated at the franchise restaurants. Similarly, the Company has a related party trademark license agreement with BTH that requires BTH restaurants to pay the Company a 4.50% royalty. This arrangement is more fully described within Note 9 – Related-Party Transactions.

Advertising - Franchisees are contractually obligated to contribute into certain advertising and marketing funds. There are no distinct performance obligations associated with the franchise advertising contributions received by the NAF that are separate from the Company's royalty stream. As a result, these franchise contributions and the related expenses are presented gross in the Company's statements of income and statements of cash flows.

Other - Periodically, the Company receives funds from vendors primarily to sponsor conferences. Amounts determined to be unearned are deferred and are included as a component of other accrued liabilities in the balance sheets until the related expenses are charged to operations.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash: As further discussed in Note 4 - Franchising and above, the Company receives cash from franchisees under the marketing fund program. All such funds are segregated from the Company's cash accounts and classified as restricted cash on the balance sheet. At December 25, 2024 and December 27, 2023, the Company had $210,320 and $595,018 of cash restricted under its marketing fund.

Accounts Receivable: Accounts receivable are comprised principally of amounts due to the Company from franchised restaurants. The Company carries its receivables at their face amounts less an allowance for credit losses, which is based on historical losses, the franchised restaurant's current ability to pay its obligation, existing economic conditions and economic outlook, and other information available at the balance sheet dates. The Company monitors its accounts receivable and charges to expense an amount equal to its estimate of potential credit losses. Accounts receivable balances are charged off against the allowance when it is determined that the receivable will not be recovered. No allowance for credit losses was required at December 25, 2024 and December 27, 2023.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Credit Losses: The Company uses of a forward-looking approach to estimate expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments including accounts receivable.

Related-party Receivable: Related-party receivable includes amounts due to the Company from BTH (see Note 9 – Related-Party Transactions). The Company determined that no allowance for uncollectable accounts is required for the related-party receivable.

Concentration of Credit Risk: At times, the Company maintains deposits with its financial institutions in excess of insured limits. The Company has not experienced any losses on such accounts and does not believe it is exposed to any significant risk with respect to cash and cash equivalents.

Property and Equipment: Property and equipment consists primarily of leasehold improvements and office equipment which are recorded at cost. Equipment is depreciated over the asset's estimated useful life, generally three to seven years, using the straight-line method. Leasehold improvements are amortized over the estimated useful life of the asset or term of the related lease, whichever is shorter, using the straight-line method. The costs of repairs and maintenance are expensed as incurred while expenditures for refurbishments and improvements that extend the useful life of the asset are capitalized.

Right-of-Use Lease Assets and Lease Liabilities: Right-of-use ("ROU") lease assets represent the Company's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Company's obligation to make payments arising from operating leases. The lease liabilities are based on the present value of fixed payments over the lease term using the implicit lease interest rate or when unknown, the risk-free rate on the lease commencement date. If the lease includes one or more options to extend the terms of lease, the renewal option is considered in the lease if it is reasonably certain the Company will exercise the options. Operating lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are considered short-term leases and are not recorded on the accompanying balance sheet. Variable lease payments consist primarily of operating expenses, property taxes, and maintenance, which are not included in the recognition of ROU lease assets and the related lease liabilities.

As of December 25, 2024 and December 27, 2023, the weighted average remaining lease term was 4.8 years and 5.8 years, respectively, and the weighted average discount rate used to calculate the ROU asset was 1.66%.

A summary of amounts reported within the balance sheets is as follows:

	2024	2023
Right-of-use lease asset	$ 510,192	$ 610,424
Current portion of lease liability	105,194	100,138
Lease liability, net of current portion	452,731	557,925

Intangible Assets: Finite-lived intangible assets consist of trade name, trademark license agreements with related party, and franchise agreements. The trade name is amortized on the straight-line basis, while the franchise agreements and trademark license agreement intangible assets are amortized based on the weighted average expected cash flows of the corresponding intangible asset. The related party trademark license agreement is with BTH does not have a stated expiration date, and can be cancelled by either party with 60-day notice. The corresponding related party trademark license agreement was determined to have a 20 year useful life.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Impairment of Long-lived Assets: The Company periodically reviews the carrying value of long-lived assets to assess the recoverability of these assets and records impairment charges when events or changes in circumstances indicate that the assets might be impaired. Management determined that no impairment of long-lived assets existed during the years ended December 25, 2024 and December 27, 2023.

Goodwill: Goodwill represents the excess purchase price over the fair value of the net assets of the business acquired. Goodwill is amortized on a straight-line basis over a period of ten years. The Company tests its goodwill for impairment only upon the occurrence of an event or circumstance that may indicate the fair value of the Company is less than its carrying amount. As of December 25, 2024 and December 27, 2023, the Company determined that there was no impairment of goodwill.

Gift Cards: The Company's gift cards carry no dormancy, inactivity or service fees, and have no expiration date. The gift cards are sold primarily at restaurant locations and through the Company's website and are redeemable at all restaurant locations. The Company has gift card service agreements to receive and hold the proceeds of gift card sales until a customer uses the card to purchase merchandise or services from a participating restaurant location. When a customer uses a gift card to purchase merchandise or services from a participating restaurant location, the participating restaurant location is obligated to accept the gift card as payment for its goods or services, and the Company is obligated to reimburse the participating restaurant location for the sales price of the goods or services purchased with the gift card. The Company is primarily liable to the customer for the value of the gift card until the card is redeemed. When the gift cards are issued, a liability is recorded by the Company. When the gift cards are redeemed, there is an offset of the liability account. Revenues (and related expenses) are recognized by the participating restaurant location upon exchange for goods and services. The Company recognizes revenue from gift card breakage in proportion to the pattern of related gift card redemptions.

Income Taxes: The Company is organized as a single member LLC and has elected to be taxed as a limited liability company under the Internal Revenue Code and is considered a disregarded entity for federal and substantially all state tax purposes. The Company's operations are included in the tax return of BBD Holdco LLC, the ultimate parent of both BBD Opco LLC and the Company, and the individual members of BBD Holdco LLC are responsible for reporting the earnings and losses on their income tax returns and pay income taxes on their allocable ownership percentages. Accordingly, no provision or liability for federal or substantially all state income taxes has been included in the financial statements of the Company.

Management of the Company believes there are no uncertain income tax positions taken which would require the Company to reflect a liability for unrecognized income tax benefits on the accompanying balance sheets. An income tax position is recognized as a benefit only if it is "more likely than not" that the income tax position would be sustained in an income tax examination, with an income tax examination being presumed to occur. The amount recognized is the largest amount of income tax benefit that is greater than 50% likely of being realized on examination. For income tax positions not meeting the "more likely than not" test, no income tax benefit is recorded.

Management of the Company believes that with few exceptions, the Company is no longer subject to income tax examinations by any income tax authorities for fiscal years prior to 2021. The Company does not expect the total amount of unrecognized income tax benefits to change significantly in the next 12 months.

Subsequent Events: Subsequent events have been evaluated through March 27, 2025, which is the date the financial statements were available to be issued.

(Continued)

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 25, 2024	December 27, 2023
Computers and software	$ 161,501	$ 161,501
Leasehold improvements	404,821	323,467
Office equipment	482,468	384,135
	1,048,790	869,103
Less accumulated depreciation	(472,944)	(354,481)
	$ 575,846	$ 514,622

Depreciation expense for the years ended December 25, 2024 and December 27, 2023 was $118,463 and $86,353, respectively.

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following:

	Life in Years	December 25, 2024	December 27, 2023
Intangible assets subject to amortization:			
Trade name	20	$ 35,100,000	$ 35,100,000
Trademark license, related party	20	7,300,000	7,300,000
Franchise agreements	20	14,500,000	14,500,000
		56,900,000	56,900,000
Less accumulated amortization		(25,966,497)	(22,957,554)
		$ 30,933,503	$ 33,942,446

The amortization expense on intangible assets subject to amortization was $3,008,943 and $3,017,051 for the years ended December 25, 2024 and December 27, 2023, respectively. Included within amortization expense on intangible assets is $371,704 and $366,211 of amortization expense related to the related party trademark license agreement for the years ended December 25, 2024 and December 27, 2023, respectively.

(Continued)

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL (Continued)

Expected amortization expense for intangible assets subject to amortization for each of the succeeding five years and thereafter as of December 25, 2024 is as follows:

2025	$ 2,990,472
2026	2,982,341
2027	2,957,114
2028	2,926,678
2029	2,906,991
Thereafter	16,169,907
	$ 30,933,503

The Company had the following activity in goodwill:

Balance, December 28, 2022	$ 858,663
Less amortization expense	(275,464)
Balance, December 27, 2023	583,199
Less amortization expense	(275,462)
Balance, December 25, 2024	$ 307,737

Expected future amortization expense for goodwill as of December 25, 2024 is as follows:

2025	$ 275,464
2026	32,273
	$ 307,737

NOTE 4 - FRANCHISING

The Company has franchised restaurants in markets in which it considers expansion to be of benefit. Franchisees bear all direct costs involved in the development, construction and operation of their restaurants. The Company provides franchisees support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques, and opening assistance.

Under the franchise agreements, the Company has the right to collect a percentage of restaurant sales from its franchise owners that is required to be utilized for marketing activities. The Company generally oversees all advertising programs with sole discretion over the creative concepts, materials and media used in such programs, and the placement and allocation thereof under the Company's marketing fund. Although the Company manages the marketing fund in a manner that benefits franchisees uniformly, the Company cannot and does not ensure that any franchisee will benefit directly or pro rata from the placement of advertising by the marketing fund. The Company is contractually obligated to spend these funds in a manner consistent with the franchise agreements.

(Continued)

NOTE 4 – FRANCHISING (Continued)

Any franchisee contributions to the marketing fund may be used to meet costs of producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, digital, internet, magazine, newspaper and outdoor advertising campaigns and other public relations activities developing and/or hosting an internet web page of similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). The contributions by the franchisees to the marketing fund are maintained in a separate account from the funds of the Company and are not used to defray any of the Company's general operating expenses, except for such reasonable administrative costs and overhead, if any, as the Company may incur in activities reasonably related to the administration or direction of the marketing fund.

Although the Company intends the marketing fund to be of perpetual duration, the Company maintains the right to terminate the marketing fund. The marketing fund shall not be terminated, however, until all monies in the marketing fund have been expended for advertising and promotional purposes or returned to the franchisees on a pro rata basis. Franchisees acknowledge that the marketing fund is not a trust and the Company assumes no fiduciary duty in administering the marketing fund.

The Company also collects a similar percentage of sales from the restaurants that are owned and operated by BTH to be utilized for marketing activities. The following table presents certain balances and activity of the NAF as of and for the fiscal years ended December 25, 2024 and December 27, 2023:

	2024	2023
Restricted cash	$ 210,320	$ 595,018
Accounts receivable	148,563	-
Accounts payable	50,065	359,583
Accrued expenses	76,282	14,577
Advertising revenues	2,479,566	2,490,162
Advertising revenues, related party	1,855,249	1,788,575
Advertising and related expenses	4,326,166	4,245,009

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Leases: The Company leases corporate office space in Redding, California. The lease was entered into effective July 1, 2021 with payments beginning November 1, 2021 and annual incremental base rent payments through lease expiration at the end of October 2029. Rental expense for all operating leases was $114,916 and $112,262 for the years ended December 25, 2024 and December 27, 2023, respectively.

(Continued)

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental payments required by the lease in accordance with ASC 842 as of December 25, 2024, are as follows:

2025	$	113,506
2026		116,898
2027		120,406
2028		124,014
2029		105,920
Total minimum lease payments		580,744
Less: imputed interest		(22,819)
Present value of lease liability		557,925
Less: current portion of lease liability		(105,194)
Lease liability, net of current portion	$	452,731

Litigation: The Company is subject to litigation and pending claims arising in the ordinary course of business. The Company records reserves for such matters when payment is probable, and the amount of a claim is reasonably estimable. The ultimate resolution of pending claims has not had and is not expected to have a material adverse effect on the Company's financial condition, position or cash flows at December 25, 2024 and December 27, 2023.

NOTE 6 - GOVERNMENT ASSISTANCE PROGRAMS

Paycheck Protection Forgivable Program Loans: As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, on March 16, 2021, the Company received a Second-Draw Paycheck Protection Program (PPP-SD) loan in the principal amount of $1,124,900 from the SBA in accordance with the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act"). The PPP-SD loan has a stated interest rate of 1% per annum and has a contractual maturity date of March 1, 2026.

The Company has elected to account for its PPP-SD loan as debt in accordance with ASC 470 - Debt. Under ASC 470, the PPP-SD loan proceeds are initially recorded as a long-term debt and subsequently recognized as other income if and when the loan balance is legally forgiven by the SBA.

During the year ended December 29, 2021, the Company submitted its applications for forgiveness of the PPP-SD loan to the SBA. The Company received partial forgiveness in the amount of $999,509 of the PPP-SD loan. As of December 25, 2024 and December 27, 2023, the remaining outstanding balance on the PPP-SD loan is recorded as long-term debt with the current portion reflected in current liabilities in the balance sheet.

Under the terms of the Paycheck Protection Program, a PPP loan provides for conditional forgiveness if the Company utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. Although the Company believes the conditions for full forgiveness of the PPP-SD loan have been met, ultimate forgiveness is conditioned upon the SBA concurring with the Company's good-faith assessment that the current economic uncertainty made the loan request necessary to support ongoing operations and the loan proceeds were used for admissible expenses. If the Company is later determined to have violated the provisions of the Paycheck Protection Program, the Company may be required to repay the PPP-SD loan in its entirety and/or be subject to additional penalties.

(Continued)

NOTE 7 - MEMBER'S EQUITY AND PROFITS INTEREST UNITS

Member's Equity: Oversight of the Company is performed by the elected Board of Members. Members and managers are indemnified by the Company against any and all losses, claims, demands, costs, damages and any other liabilities arising out of the business of the Company. Distributions are made in accordance with distribution provisions as more fully described in the limited liability company operating agreement. During the years ended December 25, 2024 and December 27, 2023, the Company distributed $14,102,475 and $7,965,000 to the Parent, respectively.

Profits Interest Units: Holdco's operating agreement provides for the grant of profits interest units to officers and employees of both the Company and Holdco. The operating agreement provides for time-based vesting units and performance-based vesting units. Profit interests units time-based vesting units vest either (i) 50% upon the 3rd year anniversary of the grant, 25% upon the 4th year anniversary, and the remaining 25% upon the 5th anniversary or (ii) 50% equally upon the 1st and 2nd year anniversary of the grant. Total compensation expense related to profits interests was $35,000 and $50,000 for the years ended December 25, 2024 and December 27, 2023, respectively.

The performance-vested profits interests remain unvested until the liquidity event and are forfeited upon termination of employment. The Company will make distributions with respect to the vested profit interest units in accordance with the terms of operating agreement, whereby profits interest unit holders will share in residual return after preferred unit and common unit holders receive distributions equal to their original investment. The distribution threshold for newly issued profit interest units is adjusted each year. The profit interest unit holders are eligible to receive tax distributions from the Company. There were no tax distributions made during the years ended December 25, 2024 and December 27, 2023 related to profit interests held. As of both December 25, 2024 and December 27, 2023, the maximum profits interest units that may be issued is limited to 9,894,166 and 6,124,677, respectively. No compensation expense has been recorded relating to the performance-based profits interest units granted as they will vest only upon the occurrence of the liquidity event. As of December 25, 2024, there is approximately $564,000 of unrecognized compensation expense attributable to the time-based vesting units, which will be recognized over the weighted average remaining vesting period of approximately 1.6 years.

(Continued)

NOTE 7 - MEMBER'S EQUITY AND PROFITS INTEREST UNITS (Continued)

A summary of profit interest unit activity for the years ended December 25, 2024 and December 27, 2023, is presented within the table below. This table reflects all profits interest units available under the plan and not necessarily those that are specifically attributable only to the Company.

	Time-based Vesting Units	Performance-Based Vesting Units	Total Profits Interest Units
Outstanding at December 29, 2022	4,287,273	1,837,404	6,124,677
Other	-	-	-
Forfeited	-	-	-
Granted	-	-	-
Outstanding at December 27, 2023	4,287,273	1,837,404	6,124,677
Forfeited	(68,752)	(132,558)	(201,310)
Granted	3,864,727	-	3,864,727
Outstanding at December 25, 2024	8,083,248	1,704,846	9,788,094
Vested at December 25, 2024	4,061,452	-	4,061,452

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Company participates in a 401(k) profit sharing plan (the Plan), which is sponsored by BBD Opco LLC. The Plan covers all eligible employees, except executive management of the Company, who have attained age 21 and have completed one year of eligible service. Contributions to the Plan include (1) the amount of salary reduction elections of all participants, (2) employer-matching contributions equal to 50% of the matched employee contributions, not to exceed 6% of the employee's contributions, and (3) a discretionary employer profit sharing amount. All contributions are limited to the maximum amount allowed for federal income tax purposes. For the years ended December 25, 2024 and December 27, 2023, there were approximately $47,448 and $41,400, respectively, of contributions to the Plan.

NOTE 9 - RELATED-PARTY TRANSACTIONS

Related Party Royalties: The Company is under common control with BTH, as both are subsidiaries of BBD Opco LLC. The Company collects royalty revenue from Black Bear Diner restaurants owned and operated by BTH under a trademark license agreement that requires BTH to pay a 4.50% royalty to the Company. The Company recognized $8,345,526 and $8,041,863 of royalty income from BTH for the years ended December 25, 2024 and December 27, 2023, respectively, which is included in the statements of income.

(Continued)

NOTE 9 - RELATED-PARTY TRANSACTIONS (Continued)

Allocated Administrative Services: The Company also shares certain management and administrative functions with BTH. The Company charged BTH the amount of $3,415,177 and $3,153,562 for allocable share of management and administrative expenses and is rec for the years ended December 25, 2024 and December 27, 2023, respectively, which is included with payroll and benefits expenses in the statements of income.

Related-Party Receivable: The related-party receivable is unsecured, interest free and repayable on demand. The related-party receivable at any point in time generally consists of any combination of receivables from royalty and advertising fees, receivables from allocation of shared management and administrative functions for which the Company bills and is reimbursed, gift card receivables from sales of gift cards at BTH owned restaurants for which cash has not yet been remitted to the Company, and from time to time, certain periodic working capital advances that the Company may make to entities under common control (BTH). As of December 25, 2024 and December 27, 2023, allocated administrative services receivable included within the related-party receivable totaled $254,205 and $241,123, respectively. Amounts outstanding at December 25, 2024 and December 27, 2023 were collected in full subsequent to each respective year end.

Parent Expense Reimbursement: During each of the years ended December 25, 2024 and December 27, 2023, the Company reimbursed GEF BBD Holdings LLC (the acquirer of Holdco) $36,366 and $46,036, respectively, for travel and lodging expenses related to the Board meetings and participation.

Guarantor of Parent Credit Agreement: Parent has a term loan and revolving line of credit with a bank that is jointly and severally guaranteed by the Company, BTH, the Parent, and Intermediate Holdco. The outstanding balance under the term loan and revolving line of credit agreement may become immediately due in the event of Parent's default or noncompliance with covenant requirements of the agreement. At December 25, 2024 and December 27, 2023, the outstanding balance under the Parent term loan and revolving line of credit was $44,000,000 and $45,600,000, respectively. Since the Company is not the borrower under the Parent debt, it is not reflected in the financial statements, and was not previously required to be pushed down to the Company under the push-down method of accounting.

EXHIBIT F TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

(Current as of December 31, 2025)

Arizona

Eloy Black Bear Diner
TA Operating LLC
5235 N Sunland Gin Rd
Eloy, AZ 85131
520.836.3983

Kingman Black Bear Diner
TA Operating, LLC
946 West Beale Street
Kingman, AZ 8640
928.718.3930
(Opened November 2019)

Tonapah Black Bear Diner
TA Operating LLC
1010 N. 339th Ave.
Tonopah, AZ 85354
(Opened 2023)

California

Arvin BBD
East Travel Plaza Center, LLC
5542 Laval Rd
Arvin, CA 93203
661.858.2315
(Opened: December 2014)

Auburn Black Bear Diner
GVS Hospitality Sacramento
13365 Lincoln Way
Auburn, CA 95603
530.888.8432
(Opened: July 2013)

Bakersfield Black Bear Diner
Elite Diners, LLC
4102 California Avenue
Bakersfield, CA 93309
661.322.5000
(Opened: June 2013)

Barstow Black Bear Diner
TA Operating, LLC
2930 Lenwood Rd.
Barstow, CA 92311
760.253.2922
(Opened: November 2016)

Canyon Country Black Bear Diner
Elite Diners, LLC
16526 Soledad Canyon Rd
Santa Clarita, CA 91387
661.360.3603
(Opened May 2025)

Chico Black Bear Diner
GVS Hospitality, LLC
1990 E 20th St.
Chico, CA 95928
530.965.5857
(Opened October 2022)

Citrus Heights Black Bear Diner
Elite Diners, LLC
7935 Madison Ave.
Citrus Heights, CA 95610
916-534-7625
(opened: February 2017)

Colma Black Bear Diner
R&S Restaurants, LLC
4927 Junipero Serra Blvd.
Colma, CA 94014
415-769-5522
(opened: October 2017)

Colton Black Bear Diner
Elite Diners, LLC
1603 W. Valley Blvd
Colton, CA 92324
916-5347-7625
(Opened: September 2020)

Danville Black Bear Diner
Goldenorth Restaurants, Inc.
807 Camino Ramon
Danville, CA 94526
925.837.2327
(Opened: November 2015)

El Cajon Black Bear Diner
National Restaurant, Inc.
1025 Fletcher Pkwy
El Cajon, CA 92020
619.444.2327
(Opened: April 2019)

Elk Grove Black Bear Diner
Elite Diners, LLC.
8531 Bond Rd.
Elk Grove, CA 95624
916.714.7273
(Opened: November 2015)

Emeryville Black Bear Diner
Cubs AA, Inc
5750 Christie Avenue
Emeryville, CA 94608
510.645.2327
(Opened: February 2013)

Fremont Black Bear Diner
Var Bears, LLC
5035 Mowry Ave.
Fremont, CA 94538
510.796.8000
(Opened: October 2013)

Fresno Black Bear Diner
Rose Restaurants Fresno LP
3602 Shaw Avenue
Fresno CA 93710
559.271.4704
(Opened: February 2019)

Gilroy Black Bear Diner
BBD West, Inc.
395 Leavesley Rd.
Gilroy, CA 95020
408.842.9901
(Opened: June 2009)

Hanford Black Bear Diner
San Joaquin Valley Corp.
1790 W. Lacey Blvd.
Hanford, CA 93230
559.584.8278
(Opened: March 2005)

Hayward Black Bear Diner
Gabu, Inc.
25202 Hesperian Blvd.
Hayward, CA 94545
510.670.9100
(Opened: December 2014)

Lodi Black Bear Diner
California Restaurant Concepts, Inc.
2347 W Kettleman Ln.
Lodi, CA 95242
209.333.2200
(Opened: October 2019)

Los Banos Black Bear Diner
Black Bear Diner Los Banos, LP
955 W. Pacheco Blvd.
Los Banos, CA 93635
209.826.2616
(Opened: December 2012)

Madera Black Bear Diner
San Joaquin Valley Corp.
1209 E. Almond Ave.
Madera, CA 93627
559.675.1332
(Opened: March 2009)

Manteca Black Bear Diner
Central Restaurant Concepts, Inc.
1703 E. Yosemite Ave.
Manteca, CA 95336
209.239.6400
(Opened: July 2012)

Menifee Black Bear Diner
SB Diner, LLC
27990 Bradley R
Menifee, CA 92586

Merced Black Bear Diner
Elite Diners, LLC
1435 V St.
Merced, CA 95340
209.383.9600
(Opened: October 2011)

Milpitas Black Bear Diner
Cubs AA, Inc
174 W. Calaveras Blvd.
Milpitas, CA 95035
408.946.2327
(Opened: August 2011)

Monterey Black Bear Diner
BBD West, Inc.
2450 N Fremont St.
Monterey, CA 93942
831.645.9700
(Opened: June 2009)

Murrieta Black Bear Diner
SB Diner, LLC
24640 Madison Avenue
Murrieta, CA 92562
951.703.2234
(Opened: February 2019)

Oakley Black Bear Diner
Bear Buddies, Inc.
3201 Main St.
Oakley, CA 94561
925.625.3555
(Opened: March 2008)

Palmdale Black Bear Diner
Elite Diners, LLC
40026 10th St W,
Palmdale, CA 93551
661.224.2062
(Opened May 2022)

Pleasanton Black Bear Diner
CHM Black Bear, Inc.
5100 Hopyard Rd.
Pleasanton, CA 94588
925.847.9100
(Opened: December 2013)

Porterville Black Bear Diner
San Joaquin Valley Corp.
910 W. Olive Ave.
Porterville, CA 93257
559.784.3648
(Opened: September 2004)

Rancho Cucamonga Black Bear Diner
Elite Diners, LLC
10910 E. Foothill Blvd.
Rancho Cucamonga, CA 91730
909.466.6614
(Opened: January 2019)

Rohnert Park Black Bear Diner
Grizzlyz, Inc
6255 Commerce Blvd.
Rohnert Park, California 94926
707.584.8552
(Opened: June 2003)

Roseville Black Bear Diner
GVS Hospitality Sacramento
6700 Stanford Ranch Road
Roseville, CA 95678
916.788.8101
(Opened: January 2013)

Sacramento/Natomas Black Bear Diner
Sacramento Natomas LP
2700 El Centro Rd.
Sacramento, California 95833
916-641-2327
(Opened: September 2010)

Sacramento-Arden Black Bear Diner
Elite Diners, LLC
1830 Arden Way.
Sacramento, CA 95815
916-925-1345
(opened: April 2017)

Salinas Black Bear Diner
BBD West, Inc.
1391 N. Davis Rd
Salinas, CA 93907
831.449.1545
(Opened: June 2009)

San Rafael Black Bear Diner
Restaurants 101, Inc.
490 Las Gallinas Ave.
San Rafael, CA 94903
415-295-7897
(opened: November 2017)

Santa Clarita Black Bear Diner
SoCal Diners, LLC
23626 Valencia Blvd
Santa Clarita, CA 91355
(661) 799-4820
(Opened: May 2018)

Sonoma Black Bear Diner
Blazin Bear Inc
201 W. Napa St
Sonoma, CA 95476
(Opened: May 2002)

Suisun City Black Bear Diner
Luxury Foods, Inc.
111 Sunset Ave.
Suisun City, CA 94585
707.422.4386
(Opened: December 2003)

Sunnyvale Black Bear Diner
Cubs AA, Inc
415 E El Camino Rael
Sunnyvale, CA 94089
408-749-1100
(Opened: October 2015)

Tarzana Black Bear Diner
SoCal Diners, LLC
18355 Ventura Blvd.
Tarzana, CA 91356
818-457-4071
(opened: December 2017)

Tracy Black Bear Diner
Capital Restaurant Concepts, Inc.
2351 Toste Rd.
Tracy, CA 95377
209.835.5600
(Opened: November 2010)

Tulare Black Bear Diner
San Joaquin Valley Corp.[1]
1161 E. Tulare Ave.
Tulare, CA 93274
559.684.9152
(Opened: March 2004)

Turlock Black Bear Diner
Elite Diners, LLC
3050 N Tegner Road
Turlock, CA 95380
209.632.3000
(Opened: January 2019)

Vacaville Black Bear Diner
Costal Restaurant Concepts, Inc.
951 Merchant St.
Vacaville, CA 95688
707.448.1500
(Opened: August 2010)

Vallejo Black Bear Diner
Pawsibilities 1, Inc.
980 Admiral Callaghan Ln.
Vallejo, CA 94591
707.552.1300
(Opened: August 2011)

Ventura Black Bear Diner
Elite Diners, LLC
2401 E Harbor Blvd,
Ventura, CA 93001
(Opened 1/18/2022)

Visalia BBD
Black Bear Diner Visalia, LP
900 S. Mooney Blvd.
Visalia, CA 93277
559.635.1260
(Opened: April 2014)

Willows Black Bear Diner
Devine Hospitality, LLC
246 N. Humboldt Ave.
Willows, CA 95988
530.934.3797
(Opened: August 2020)

Woodland Black Bear Diner
Elite Diners, LLC.
1530 E Main St.
Woodland, CA 95776
530.406.8762
(Opened: April 2015)

Yreka BBD
Carmike, Inc.
1795 S. Main Street
Yreka, CA 96097
(530) 842-9324

Yucca Valley Black Bear Diner
Elite Diners, LLC
57084 Twenty Nine Palms,
Yucca Valley, CA 92284
(Opened: October 2023)

Colorado

Aurora Black Bear Diner
Rocky Mountain Bears, LLC
14100 East Iliff Ave
Aurora, CO 80014
720-616-7168
(Opened July 2020)

Colorado Springs Black Bear Diner
Rocky Mountain Bears, LLC
975-A N. Academy Blvd.
Colorado Springs, CO 80909
719.314.3616
(Opened: May 2006)

Colorado Springs #2 Black Bear Diner
Rocky Mountain Bears, LLC
1340 West Garden of the Gods Road
Colorado, CO 80907
719.268.6874
(Opened: November 2015)

Fountain Black Bear Diner
Rocky Mountain Bears, LLC
6715 Mesa Ridge Pkwy,
Fountain, CO 80817
719.382.0349
(Opened: February 2018)

Johnstown Black Bear Diner
TA Operating, LLC
2842 SE Frontage Rd
Johnstown, CO 80534
970.667.2069
(Opened May 2025)

Pueblo Black Bear Diner
LVP Foodservice Concept, LLC
6501 N Elizabeth St
Pueblo, CO 81008
719.521.2568
(Opened July 2025)

Idaho

Boise Black Bear Diner
Good Human Brands LLC
1731 S. Entertainment Ave.
Boise, ID 83709
208.322.1888
(Opened: July 2012)

Illinois

Morris Black Bear Diner
TA Operating, LLC
21 Romines Dr
Morris, IL 60450
815.942.3690
(Opened June 2025)

Kansas

Garden City Black Bear Diner
LVP Food Service Concept, LLC
1265 Solar Ave
Garden City, KS 67846
620.765.8063
(Opened: July 2012)

Nevada

Fernley Black Bear Diner
Galena Creek, LLC
1190-B E. Main St.
Fernley, NV 89408
775.835.8512
(Opened: November 2008)

Reno Black Bear Diner
3 Bears, Inc.
2323 S. Virginia St.
Reno, NV 89509
775.827.5570
(Opened: July 2004)

Sparks Black Bear Diner
Sparks Black Bear, LLC
235 N. McCarran Blvd.
Sparks, NV 89431
775.356.1138
(Opened: July 2005)

West Wendover Black Bear Diner
LVP Foodservice Concept, LLC
1144 Forence Way
West Wendover, NV 89883
775.663.3404
(Opened December 2025)

Oregon

Beaverton Black Bear Diner
MMLG, LLC
13435 SW Tualatin Valley Hwy.
Beaverton, OR 97005
503.646.4507
(Opened: August 2005)

Bend Black Bear Diner
Good Human Brands, LLC.
1465 NE 3rd St.
Bend, Oregon 97701
541.312.8327
(Opened: February 2006)

Grants Pass Black Bear Diner
CEDA Hills, LLC
1900 NW 6th St.
Grants Pass, OR 97526
541.955.6888
(Opened: April 2011)

Gresham Black Bear Diner
Banwait Bears, Inc.
105 NE Burnside Rd
Gresham, OR 97030
503.489.5476
(Opened: December 2014)

Klamath Falls Black Bear Diners
Yankee Bear, LLC
5140 S. Sixth St.
Klamath Falls, OR 97603
541.883.7766
(Opened: June 2005)

Madras Black Bear Diner
Black Bear Diner of Madras, LLC
237 SW 4th St.
Madras, OR 97741
541.475.6632
(Opened: March 2004)

Medford Black Bear Diner
CEDA Hills, LLC
1150 E. Barnett Rd.
Medford, OR 97504
541.773.4060
(Opened: July 2006)

Newberg Black Bear Diner
Newberg Bears, LLC
2818 Portland Rd.
Newberg, OR 97132
503-554-5427
(Opened: January 2017)

Portland Black Bear Diner
BBD PDX, LLC
3737 SE 82nd Ave
Portland, OR 97266
503.206.8566
(Opened: March 2019)

Salem Black Bear Diner
Orsa Bear, LLC
5005 Commercial St SE
Salem, OR 97306
971.493.0955
(Opened October 2025)

Wilsonville Black Bear Diner
Orsa Bear, LLC
30175 SW Parkway Ave.
Wilsonville, OR 97070
(opened: May 2017)

Texas

Amarillo Black Bear Diner
TA Operating, LLC
7000 E Interstate 40 Hwy,
Amarillo, TX 79118
806.342.3080
(Opened November 2022)

Beaumont Black Bear Diner
TA Operating LLC
5405 Walden Road
Beaumont, TX 77705
409.842.9606
(Opened: April 2019)

El Paso Black Bear Diner
TA Operating, LLC
1295 Horizon Blvd,
El Paso, TX 79927
915.859.1906
(Opened December 2022)

New Braunfels Black Bear Diner
TA Operating, LLC
4817 I-35
New Braunfels, TX 78130
830.608.9395
(Opened March 2024)

San Antonio Black Bear Diner
TA Operating, LLC
1112 Ackerman Rd,
San Antonio, TX 78219
915.859.1906
(Opened March 2023)

Utah

Richfield Black Bear Diner
Pear Restaurants, LLC
510 S Main St,
Richfield, UT 84701
435.287.2327
(Opened January 2023)

Riverton Black Bear Diner
BBD Riverton UT, LLC
12535 S Rhetski Ln
Riverton, U 84065
(801) 253-8001
(Opened: July 2018)

Washington Black Bear Diner
Luke 137, LLC
965 N Hoodoo Way
Washington, UT 84780
(435) 627-2327
(Opened: July 2018)

St. George Black Bear Diner
Pathway Partners DBA
1245 S. Main St.
St. George, UT 84770
435.656.2327
(Opened: August 2011)

West Jordan Black Bear Diner
West Jordan Utah LLC
7238 S. Plaza Center Dr.
West Jordan, UT 84084
801.282.0077
(Opened April 2013

Washington

Federal Way Black Bear Diner
Banwait, LLC
32065 Pacific Coast Highway South
Federal Way, WA 98003
253.945.8332
(Opened: July 2007)

Lakewood Black Bear Diner
Puget Sound Bears, Inc
10115 S Tacoma Way
Lakewood, WA 98499
253-267-0238
(opened: June 2017)

Olympia Black Bear Diner
Evergreen Bears, LLC
3425 Pacific Ave SE
Olympia, WA 98501
360.456.2377
(Opened September 2025)

Puyallup Black Bear Diner
Banwait, LLC
10404 156th St E ste 101
Puyallup, WA 98374
253.945.8332
(Opened: July 2017)

Sequim Black Bear Diner
Sound Equity Ventures, LLC
1471 E. Washington St.
Sequim, WA 98382
360.504.2950
(Opened: July 2012)

Vancouver Black Bear Diner
Da Bear, Inc.
1505 SE 164th Ave.
Vancouver, WA 98683
360.448.7593
(Opened: December 2015)

Area Developers under Development Agreements

SB Diner, LLC
4917 Genesta Ave
Encino, CA 91316

Elite Diners, LLC
2190 Meridian Park Blvd Suite G
Concord, CA 94520

National Restaurant, Inc
Balentine Dr., Suite 370
Newark, California 94560

Puget Sound Bears, Inc.
5732 Byington Drive
Newark, California 94560

LV Petroleum
4495 W. Hacienda Ave, Suite 7A,
Las Vegas,
NV 89118

Franchise Agreements Signed but Restaurants not Yet Opened

Black Bear Diner Quartzsite
Gursavri Group, LLC
Riggles Ave and Mocking Bird St
Quartzsite, AZ 85346

Vista Black Bear Diner
National Restaurant, Inc
605 W Vista Way
Vista, CA 92083

Las Vegas Black Bear Diner
LVP Food Service Concept, LLC
Las Vegas, NV 89031

Redwood City Black Bear Diner
Cubs AA, Inc
1136 Veterans Blvd
Redwood City, CA 94063

Joplin Black Bear Diner
Truckstop Distributors, Inc
4240 State Hwy 43
Joplin, MO 64804

Osseo Black Bear Diner
LVP Foodservice Concept, LLC
12613 Gunderson Rd
Osseo, WI 54758

Donald Black Bear Diner
Lupine, Inc
I-82 & Donald Wapato Rd
Donald, WA 98951

DFW Black Bear Diner
Toast Food, Inc
Colleyville, TX 76034

EXHIBIT G TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

The following is the name and last known city and state and telephone number for all franchisees that had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or have not communicated with us within 10 weeks of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

California

Roseville Black Bear Diner
BBD West, Inc.
6700 Stanford Ranch Road
Roseville, CA 95678
916.788.8101
(Transfer)

Auburn Black Bear Diner
BBD West, Inc.
13365 Lincoln Way
Auburn, CA 95603
530.888.8432
(Transfer)

Fremont Black Bear Diner
GVS Hospitality, LLC
5035 Mowry Ave.
Fremont, CA 94538
510.796.8000
(Transfer)

Nevada

Carson City Black Bear Diner
7 Bears, LLC
900 S. Carson St
Carson City, NV 89701
(ceased operations for 1 restaurant)

Utah

Sandy Black Bear Diner
Black Bear Diner Sandy UT, LLC
429 N W Cedar St
Redmond, OR 97756
(ceased operations for 1 restaurant)

EXHIBIT H TO THE DISCLOSURE DOCUMENT

MULTI STATE ADDENDA
TO THE BBDI LLC FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The following are additional disclosures for the Franchise Disclosure Document of BBDI LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

FOR ALL FRANCHISE REGISTRATION STATES

The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*:

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

FOR THE STATE OF CALIFORNIA

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

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

3. Item 3 of the Franchise Disclosure Document is amended to add the following:

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

4. Item 17 of the Franchise Disclosure Document is amended to add the following:

a. The California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If a Franchise Agreement is inconsistent with the law, the law will control.

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

c. The Franchise Agreement requires Franchisee to sign a general release as a condition of renewal or transfer of the Franchise Agreement. 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. Section 31512 voids a waiver of your rights under the Franchise

Investment Law (California Corporations Code Section 31000-31516). Business and professions Code Section 20010 voids a waiver of a franchisee's rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

d. The Franchise Agreement contains a covenant not to compete which extends beyond the term of the agreement. This provision might not be enforceable under California Law.

5. The terms of Item 17 of this disclosure document have been negotiated with another franchisee. A copy of all Negotiated Sales Notices filed in California in the last twelve months is attached to this Addendum for the state of California.

6. Our website, located at www.blackbeardiner.com has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this Website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

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

FOR THE STATE OF HAWAII

The Cover Page of the FDD is amended to add the following:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE BBDI LLC FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH YOU AND US.

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

FOR THE STATE OF ILLINOIS

ITEM 17 of the disclosure document is amended to add the following:

1. The conditions under which you can be terminated and your rights on nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

2. The Illinois Franchise Disclosure Act will govern any franchise agreement if it applies to a franchise located in Illinois.

3. The Franchise Agreement shall become effective on its acceptance and execution by us at our principal business address. The Franchise Agreement shall be interpreted and construed under the state law in which our principal place of business is located (currently California), except to the extent governed by the Federal Arbitration Act and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C., Sections 1051 et seq.). However, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or other law of the state of Illinois is void.

4. Any action brought by either party in any court, except for claims required to be submitted to arbitration, whether federal or state, will be brought within a court of general jurisdiction where our principal place of business is located, which is currently Redding, California. The parties waive all questions of personal jurisdiction or venue. However, any provision that designates jurisdiction or venue outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois; provided, however that the Franchise Agreement may provide for arbitration in a forum outside Illinois.

5. No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming

reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FOR THE STATE OF MARYLAND

The following is added to the end of Item 5, entitled Initial Fees:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 15 of the Franchise Disclosure Document is amended to add the following:

As a Maryland franchisee, your spouse will not be required to sign a document that makes him or her liable if franchisee's spouse has no ownership interest in the franchise.

Item 17 of the Franchise Disclosure Document is amended to add the following:

a. The Franchise Agreement requires Franchisee to sign a general release as a condition of renewal or transfer of the Franchise Agreement. This general release will not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

b. The Franchise Agreement requires Franchisee to agree to a period of limitations of less than 3 years. The period of limitations less than 3 years will not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

c. The Franchise Agreement requires Franchisee to sue in a state other than Maryland. Franchisee still can file a lawsuit in Maryland alleging a violation of the Maryland Franchise Registration and Disclosure Law.

d. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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

FOR THE STATE OF MINNESOTA

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The following is added to the end of Item 5, entitled Initial Fees and at the end of Item 7, Note 2 entitled Franchise Fee:

> Based upon the franchisor's financial condition, the Minnesota Department of Commerce Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 13 of the Franchise Disclosure Document is amended to add the following:

> To the extent required by Minnesota Stat. Sec. 80C.12, Subd. I (g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

Item 17 of the Franchise Disclosure Document is amended to add the following:

a. With respect to franchises governed by Minnesota law, 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) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

b. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that nothing in the Disclosure Document or Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

c. Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

d. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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

FOR THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that 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. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the nonwaiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a franchisee": "You may terminate the agreement on any grounds available by law."

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":
   The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.
6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

FOR THE STATE OF NORTH DAKOTA

Item 5 of the Franchise Disclosure Document is amended to add the following:

> Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 17 of the Franchise Disclosure Document is amended to add the following:

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

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

c. To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree and will not be remote from your place of business.

d. Except as otherwise required by North Dakota law, California law shall apply.

e. To the extent required by the North Dakota Franchise Investment Law, and subject to the arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

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

FOR THE STATE OF OHIO

Item 17 of the Franchise Disclosure Document is amended to add the following:

The Ohio Business Plan Opportunity Plan Law provides that a provision in a Franchise Agreement restricting venue to a forum outside the state of Ohio or requiring the application of the laws of another state other than Ohio is void with respect to a claim otherwise enforceable under the Ohio Business Opportunity Plan Law.

THE OHIO BUSINESS OPPORTUNITY PLAN LAW SECTION 1334.05 REQUIRES US TO GIVE YOU NOTICE OF YOUR RIGHT TO CANCEL THE FRANCHISE AGREEMENT AT ANY TIME BEFORE MIDNIGHT ON THE FIFTH (5TH) BUSINESS DAY AFTER THE DAY ON WHICH YOU SIGN THE FRANCHISE AGREEMENT.

FOR THE STATE OF RHODE ISLAND

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

The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-1 through 34 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

FOR THE STATE OF VIRGINIA

Item 17 of the Franchise Disclosure Document is amended to add the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the

Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

FOR THE STATE OF WASHINGTON

Washington Addendum to the Disclosure Document, Franchise Agreement and All Related Agreements

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC AMENDMENTS TO THE BBDI LLC FRANCHISE AGREEMENT

FOR THE STATE OF CALIFORNIA

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Franchise Agreement as follows:

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for BBDI LLC shall be amended as follows:

a. The California Franchise Relations Act provides rights to the Franchisee concerning termination or nonrenewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 4.2 and 16.

b. Sections 4.2 and 18.2 require Franchisee to sign a general release as a condition of renewal and transfer of the franchise, such release shall exclude claims arising under California Franchise Investment Law and California Franchise Relations Act.

c. Section 15.2 which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

d. Sections 22.2 and 22.7 of the Franchise Agreement require litigation or arbitration to be conducted in the State of California; the requirement may not be enforceable for claims arising under the California Franchise Investment Law or the California Franchise Relations Act.

e. Section 17.2 of the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

(signature page follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF ILLINOIS

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Franchise Agreement as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 et seq., the Franchise Agreement for BBDI LLC shall be amended as follows:

> 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.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF MARYLAND

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Franchise Agreement as follows:

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement for BBDI LLC shall be amended as follows:

Section 3.1 of the Franchise Agreement shall be amended to add:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Sections 4.2 and 18.2 of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.

Section 15.2 of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

Section 22.1 of the Franchise Agreement requires that the franchise be governed by California law; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

Sections 22.2 and 22.7 of the Franchise Agreement require litigation or arbitration to be conducted in the State of California; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

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

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF MINNESOTA

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Franchise Agreement as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties agree as follows:

Section 3.1 of the Franchise Agreement shall be amended to add:

> Based upon the franchisor's financial condition, the Minnesota Department of Commerce Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Sections 4.2(g) and 18.2(b) of the Franchise Agreement shall be amended to add:

> Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

Section 6.3 of the Franchise Agreement shall be amended to add:

> To the extent required by Minnesota Stat. Sec. 80C.12, Subd. I (g), Franchisor agrees to protect Franchisee's right to use the Marks and indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

Section 15.2 and 15.3 of the Franchise Agreement shall be amended to add the following:

> With respect to franchises governed by Minnesota Law, the Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

Section 22.2. of the Franchise Agreement shall be amended to add:

> Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes.
>
> In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Section 22.4 of the Franchise Agreement shall be amended to add:

> ;provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80 C.17 more than three (3) years after the cause of action accrues.

Section 22.6 of the Franchise Agreement is deleted to the extent required by Minnesota Franchises Law.

Pursuant to Minnesota Rule 2860.4400J, the Franchisee shall not be required to consent to the Franchisor obtaining injunctive relief. However, Franchisor may seek injunctive relief. In addition, the court shall determine if a bond is required and the amount of such bond.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and agrees to be bound by its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF NEW YORK

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Franchise Agreement as follows:

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement for BBDI LLC shall be amended as follows:

Sections 4.2 and 18.2 of the Franchise Agreement may require you to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under the General Business Law Sections 687.4 and 687.5, as amended of the State of New York.

Under Section 18.1 of the Franchise Agreement, we will not transfer and assign our rights and obligations under the Franchise Agreement unless the transferee will be able to perform the obligations under the Franchise Agreement, in our good faith judgment.

Section 20.2 of the Franchise Agreement is amended to provide that you will not be required to indemnify us for any liability imposed upon us as a result of your reliance upon or use of procedures or products which were required by us, if such procedures or products were utilized by you in the manner required by us.

Section 22.1 of the Franchise Agreement requires that the franchise be governed by the laws of the State of California, such requirement will not be considered a waiver of any right conferred upon you by Article 33 of the General Business Law of the State of New York. The New York Franchises Law require that New York law govern any cause of action which arises under the New York Franchises Law.

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

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the General Business Laws of the State of New York applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF NORTH DAKOTA

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____
_____ to amend and revise said Franchise Agreement as follows:

The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

Section 3.1 of the Franchise Agreement shall be amended to add:

> Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Sections 4.2(g) and 18.2(b) of the Franchise Agreement shall be amended to add:

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

Section 17.2 of the Franchise Agreement shall be amended to add:

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

Section 22.1. of the Franchise Agreement shall be amended as follows:

> The word "California" shall be replaced with the words "North Dakota".

Section 22.2. of the Franchise Agreement shall be amended to add:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to the arbitration obligations, Franchisee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

Section 22.4 of the Franchise Agreement shall be amended to add:

> The statutes of limitations under North Dakota law applies with respect to claims arising under the North Dakota Franchise Investment Law.

Section 22.5 of the Franchise Agreement is deleted to the extent required by the North Dakota Franchise Investment Law.

Section 22.6 of the Franchise Agreement is deleted to the extent required by the North Dakota Franchise Investment Law.

Section 22.7 of the Franchise Agreement shall be amended to add:

> provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which Franchisor and Franchisee mutually agree and may not be remote from Franchisee's place of business.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and agrees to be bound by its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF OHIO

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ _____ to amend and revise said Franchise Agreement as follows:

In recognition of the requirements of the Ohio Business Opportunity Plan Law, Section 1334.01 et. Seq., the Franchise Agreement for BBDI LLC shall be amended as follows:

The following language will be added to the Franchise Agreement:

> You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.
>
> Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

> You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to BBDI LLC 280 Hemsted Drive, Suite 200, Redding, California 96002, not later than midnight of the fifth business day after the Effective Date.
>
> I hereby cancel this transaction.
> By: _____
> Print Name: _____
> Its: _____
> Date: _____

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Ohio Business Opportunity Plan Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF RHODE ISLAND

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ _____ to amend and revise said Franchise Agreement as follows:

In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Franchise Agreement for BBDI LLC shall be amended as follows:

Sections 4.2 and 18.2 of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.

Sections 22.2 and 22.7 of the Franchise Agreement shall be amended to state that restricting jurisdiction or venue to a forum outside the state of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF WASHINGTON

Washington Addendum to the Franchise Agreement, Questionnaire, and Related Agreements

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment

Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability
company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF WISCONSIN

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ _____ to amend and revise said Franchise Agreement as follows:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 will supersede any conflicting terms of the Franchise Agreement.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and agrees to be bound by its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

If Franchisee is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Franchisee is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC AMENDMENTS TO THE BBDI LLC AREA DEVELOPMENT AGREEMENT

FOR THE STATE OF CALIFORNIA

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Area Development Agreement as follows:

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Area Development Agreement for BBDI LLC shall be amended as follows:

> Section 13.2 of the Area Development Agreement requires litigation or arbitration to be conducted in the State of California; the requirement may not be enforceable for claims arising under the California Franchise Investment Law or the California Franchise Relations Act.

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

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability
company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF ILLINOIS

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Area Development Agreement as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 et seq., the Area Development Agreement for BBDI LLC shall be amended as follows:

> 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.

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

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability
company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF MARYLAND

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Area Development Agreement as follows:

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Area Development Agreement for BBDI LLC shall be amended as follows:

Section 3.1 of the Area Development Agreement shall be amended to add:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Section13.1 of the Area Development Agreement requires that the franchise be governed by California law; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

Section 13.2 of the Area Development Agreement requires litigation or arbitration to be conducted in the judicial district in which Franchisor has its principal place of business, currently Redding, California; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

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

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

DEVELOPER:

If Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Developer is a corporation, limited liability company or other entity:

_____
(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF MINNESOTA

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ _____ to amend and revise said Area Development Agreement as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties agree as follows:

Section 3.1 of the Area Development Agreement shall be amended to add:

> Based upon the franchisor's financial condition, the Minnesota Department of Commerce Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Section 9 of the Area Development Agreement shall be amended to add the following:

> With respect to franchises governed by Minnesota Law, the Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

Section 13.2 of the Area Development Agreement shall be amended to add:

> Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Section 13.5 of the Area Development Agreement is deleted to the extent required by Minnesota Franchise Law.

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

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or

conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and agrees to be bound by its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability
company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF NEW YORK

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Area Development Agreement as follows:

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Area Development Agreement for BBDI LLC shall be amended as follows:

Under Section 7.1 of the Franchise Agreement, we will not transfer and assign our rights and obligations under the Area Development Agreement unless the transferee will be able to perform the obligations under the Area Development Agreement, in our good faith judgment.

Section 11.2 of the Area Development Agreement is amended to provide that you will not be required to indemnify us for any liability imposed upon us as a result of your reliance upon or use of procedures or products which were required by us, if such procedures or products were utilized by you in the manner required by us.

Section 13.1 of the Area Development Agreement requires that the franchise be governed by the laws of the State of California, such requirement will not be considered a waiver of any right conferred upon you by Article 33 of the General Business Law of the State of New York. The New York Franchises Law require that New York law govern any cause of action which arises under the New York Franchises Law.

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

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the General Business Laws of the State of New York applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Developer is a corporation, limited liability company or other entity:

_____
(Name of Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF NORTH DAKOTA

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ to amend and revise said Area Development Agreement as follows:

The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

Section 3.1 of the Development Agreement shall be amended to add:

> Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Section 10.2 of the Development Agreement shall be amended to add:

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

Section 13.1 of the Development Agreement shall be amended as follows:

> The word "California" shall be replaced with the words "North Dakota".

Section 13.2 of the Development Agreement shall be amended as follows:

The following shall be added:

> Notwithstanding anything to the contrary contained in Section 13.2, to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), mediation or arbitration shall be held at a site to which Franchisor and Developer mutually agree and may not be remote from Developer's place of business.

Under the heading Arbitration, the following shall be deleted:

> (ii) assess punitive or exemplary damages;

Section 13.3 of the Development Agreement shall be amended to add:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to the arbitration obligations, Developer may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

Section 13.5 of the Development Agreement shall be amended to add:

> The statutes of limitations under North Dakota law applies with respect to claims arising under the North Dakota Franchise Investment Law.

Section 13.6 of the Development Agreement is deleted to the extent required by the North Dakota Franchise Investment Law.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and agrees to be bound by its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF OHIO

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ _____ to amend and revise said Area Development Agreement as follows:

In recognition of the requirements of the Ohio Business Opportunity Plan Law, Section 1334.01 et. Seq., the Area Development Agreement for BBDI LLC shall be amended as follows:

The following language will be added to the Area Development Agreement:

> You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.
>
> Initials _____ Date _____
>
> NOTICE OF CANCELLATION
>
> _____ (enter date of transaction)
>
> You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to BBDI LLC 280 Hemsted Drive, Suite 200, Redding, California 96002, not later than midnight of the fifth business day after the Effective Date.
>
> I hereby cancel this transaction.
> By: _____
> Print Name: _____
> Its: _____
> Date: _____

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Business Opportunity Plan Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent

with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability
company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF WASHINGTON

Washington Addendum to the Area Development Agreement, Questionnaire, and Related Agreements

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related

agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made

by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability
company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

FOR THE STATE OF WISCONSIN

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, between BBDI LLC and _____ _____ to amend and revise said Franchise Agreement as follows:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 will supersede any conflicting terms of the Area Development Agreement.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, and agrees to be bound by its terms.

FRANCHISOR:

BBDI LLC

By: _____

Print Name: _____

Title: _____

AREA DEVELOPER:

If Area Developer is an individual:

Individually:

_____
Print Name: _____

Individually:

_____
Print Name: _____

If Area Developer is a corporation, limited liability
company or other entity:

_____
(Name of Area Developer)

By: _____

Print Name: _____

Title: _____

EXHIBIT J TO THE DISCLOSURE DOCUMENT

GENERAL RELEASE

BBDI LLC

GENERAL RELEASE

THIS GENERAL RELEASE ("Release"), is dated as of this _____ day of _____, 202_, (the "Effective Date") by and between BBDI LLC, a California limited liability company, having its principal place of business at 280 Hemsted Drive, Suite 200, Redding, California 96002 ("Franchisor"), and _____ (in the following space insert one of the following: individual(s), partnership, corporation, limited liability company or other entity) _____ whose principal address is _____ ("Releasor").

RECITALS

WHEREAS, you and we have been parties to that certain Franchise Agreement, pursuant to which you acquired from us, and we granted to you, the right to operate a Black Bear Diner restaurant under a certain System and Marks in accordance with the terms and conditions of the Franchise Agreement (the "Franchise"); and

WHEREAS, as a condition to (strike inapplicable) (entering into a Renewal Franchise Agreement or consenting to a Transfer of the Franchise), we require that you as "Releasor" execute and deliver this General Release to confirm the absence of any claims by Releasor; and

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. Release. Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees. Franchisee hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM

MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

2. Representation by Releasor. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Further Assurances. Releasor hereby agrees: (a) to furnish upon request such further information, (b) to execute and deliver such other documents and (c) to do such other acts and things as may reasonably be request for the purpose of carrying out the intent of this Release.

4. Modification. This Release may be modified only by a written instrument executed by Franchisor and Releasor.

5. Waiver. If any provision of this Release is held to be illegal, invalid or unenforceable under present or future laws in any jurisdiction, that provision shall be ineffective to the extent of such illegality, invalidity or unenforceability in that jurisdiction and such holding shall not, consistent with applicable law, invalidate or render unenforceable such provision in any other jurisdiction, and the legality, validity and enforceability of the remaining provisions of this Release shall not in any way be affected or impaired thereby, and shall remain in full force and in effect in all jurisdictions.

6. Washington Law Statement. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Release effective as of the date first written above.

FRANCHISOR:

BBDI LLC

By: _____

Name: _____

Title: _____

RELEASOR:

If Releasor is an individual:

Individually:

_____

Name: _____

Individually:

_____

Name: _____

If Releasor is a corporation, limited liability company or other entity:

_____
(Name of Releasor)

By: _____

Name: _____

Title: _____

EXHIBIT K TO THE DISCLOSURE DOCUMENT

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	March 31, 2026
Hawaii	Pending
Illinois	March 31, 2026
Indiana	March 31, 2026
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	March 31, 2026
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

RECEIPT

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

If BBDI LLC offers you a franchise, it must provide this disclosure document to you:

(a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or

(b) Under New York, and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or

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

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

The name, principal business address, and telephone number of each franchise seller offering the franchise are: Chad Corrigan, 280 Hemsted Drive, Suite 200, Redding, California 96002, (530) 243-2327 and

_____

We authorize the persons and/or entities listed on Exhibit A to receive service of process for us.

Issuance Date: March 31, 2026.

I received a disclosure document dated March 31, 2026 that included the following Exhibits:

A. List of Agents for Service of Process and State Administrators
B. Franchise Agreement
C. Area Development Agreement
D. Contents of Manual
E. Financial Statements
F. List of Black Bear Diner Franchisees
G. List of Franchisees Who Have Left the System
H. Multi-State Addenda
I. Form of General Release
J. State Effective Dates

DATE:_____

SIGNATURE:_____

PRINT NAME:_____
(return to BBDI LLC)

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DATE:_____

SIGNATURE:_____

PRINT NAME:_____
(retain this copy)