

execute any and all instruments reasonably requested by Franchisor to evidence such liability;

Section 12.3.9 Franchisee shall agree to remain obligated under the covenants against competition of this Agreement as if this Agreement had been terminated on the date of the transfer.

Section 12.3.10 At the transferee's expense, the transferee and, if applicable, the transferee's designated individual manager shall complete any training programs then in effect for franchisees upon such terms and conditions as Franchisor may reasonably require;

Section 12.3.11 Except in the case of a transfer to a corporation wholly-owned by the Franchisee and formed for the convenience of ownership, transferee shall pay a transfer fee in an amount equal to twenty-five (25%) per cent of the then current initial franchise fee charged by Franchisor.

Section 12.3.12 The transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Restaurant site from the original franchisee and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable.

Section 12.3.13 The Franchisee and the transferee shall execute and deliver a transfer agreement in the form attached hereto, or the then current form of transfer agreement approved by the Franchisor.

Section 12.4 Franchisee acknowledges and agrees that each condition which must be met by the transferee is necessary to assure such transferee's full performance of the obligations hereunder.

Section 12.5 If the contract of sale between Franchisee and transferee provides for installment payments of the purchase price of any such sale of assets or stock of the Franchisee, the terms of any such transaction must be expressly preapproved in writing by Franchisor. Franchisee seller shall remain personally liable to Franchisor for payment of the Fees owed by the transferee until the installment payments of the purchase price and any related compensation or remuneration are paid and satisfied. Such installment payments, compensation and/or remuneration shall be subordinate to the Fees to be paid to Franchisor under the Franchise Agreement then in effect for the Restaurant.

Section 12.6 Franchisee reserves the right to transfer and assign all of its right, title and interest under this Franchise Agreement relating to an Approved Location to a corporation, partnership or limited liability company owned and controlled by Franchisee, or shareholders and members of the Franchisee, and formed for the convenience of ownership and operation of the Restaurant, subject to compliance with the requirements otherwise set forth in this Agreement and the satisfaction of the following additional requirements as provided in (Section 12.6.1) below to be delivered to Franchisor upon such transfer and assignment and, thereafter, upon request by Franchisor, from time to time:

Section 12.6.1 Franchisee or, if Franchisee is a corporation, the shareholders of Franchisee, shall be and at all times shall remain the owner of a majority of the stock and a majority of the voting control of such corporation (or, if a partnership, the sole general partner and the owner of a majority of the partnership interests of said partnership);

Section 12.6.2 The transferee corporation, partnership or limited liability company shall comply, except as otherwise approved in writing by Franchisor, with the requirements set forth in Section 5 throughout the term of this Agreement.

Section 12.6.3 Franchisee agrees to remain responsible and liable for the performance by Franchisee and such transferee corporation or partnership of all of the terms and provisions of this Franchise Agreement.

Section 12.7 Right of First Refusal. (a) The Franchisee and any party holding any interest in the Franchisee who desires to accept any bona fide offer from a third party to purchase such interest shall notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require, including a true copy of any such offer. Franchisor shall have the right and option, exercisable within twenty (20) business days after receipt of such written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. To enable Franchisor to determine whether it will exercise its option, Franchisee and the seller shall provide such information and documentation, including financial statements, as Franchisor may require. In the event that Franchisor elects to purchase the seller's interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase by Franchisor. Failure of Franchisor to exercise the option afforded by this Section 12.7 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 12.7, with respect to a proposed transfer. Any change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer.

(b) In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest in the Franchised Restaurant proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, an independent appraiser experienced in appraising business similar to the Restaurant shall be designated by Franchisor, and determination by such appraiser shall be conclusive and binding on all parties.

12.8 Transfer Upon death or Mental Incompetency. Upon the death or mental incompetency of the Franchisee or any person with an interest or beneficial interest in the Franchise, the executor, administrator, or personal representative of such person shall transfer within one (1) year after such death or mental incompetency such interest to an existing approved shareholder of Franchisee, or to a third party approved by Franchisor, which approval shall not be unreasonably withheld. Mental incompetency, for purposes of this Franchise Agreement, shall mean

the appointment of a guardian for the subject party by a court of competent jurisdiction. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to satisfy the conditions in this Section 12. Within said one (1) year period, Franchisor may terminate this Agreement or may exercise its option to purchase the Franchised Restaurant at fair market value, as determined by an independent appraiser designated by Franchisor, which determination by such appraiser shall be conclusive and binding on all parties.

Section 12.9 Interim Operation of the Restaurant. Pending assignment, upon the death of Franchisee or its operating principal, or in the event of any temporary or permanent mental or physical disability of Franchisee or its operating principal, a manager shall be employed for the operation of the Restaurant who has successfully completed Franchisor's training courses to operate the Restaurant for the account of Franchisee. If after the death or disability of Franchisee or the operating principal of Franchisee the Restaurant is not being managed by such trained manager, Franchisor is authorized to appoint a manager to maintain the operation of the Restaurant until an approved assignee will be able to assume the management and operation of the Restaurant, but in no event for a period exceeding one (1) year without the approval of Franchisee, the personal representative of Franchisee, or Franchisee's successor in interest; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Restaurant during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Restaurant, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager (the "Management Expenses"), shall be charged to such fund. As compensation for the management services provided, in addition to the Fees due hereunder, Franchisor shall charge such fund the full amount of the direct expenses incurred by Franchisor during such period of management for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, losses or obligations incurred by the Restaurant, or to any creditor of Franchisee for any merchandise, materials, supplies or services purchased by the Restaurant during any period in which it is managed by a Franchisor-appointed or approved manager.

Section 12.10 Non-Waiver of Claims. Neither Franchisor's consent to any proposed transfer of any interest in the franchise granted herein, nor Franchisor's failure to exercise its option to purchase any interest of a seller, shall be deemed to constitute a waiver of any claims it may have against the transferring party or entity, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by any transferor or transferee, any future rights or options of Franchisor, or any provision of this Agreement.

SECTION THIRTEEN--DEFAULT AND TERMINATION

Section 13.1 Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, upon the occurrence of any of the following events:

Section 13.1.1 If Franchisee shall become insolvent or makes a general assignment for the benefit of creditors;

Section 13.1.2 If a petition in bankruptcy is filed or a case in bankruptcy is commenced by Franchisee, or against Franchisee and is not opposed by Franchisee;

Section 13.1.3 If Franchisee is adjudicated as bankrupt or becomes insolvent, in Franchisor's reasonable determination, which shall mean any one or more of the following conditions that appertain to Franchisee: (i) The fair value of its property is less than the amount required to pay all of its indebtedness, including contingent debts; (ii) The present fair saleable value of its owned property is less than the amount that will be required to pay all of its existing indebtedness as such becomes absolute and matured; (iii) Franchisee is unable to pay all of its indebtedness as such indebtedness matures, or (iv) Franchisee's capital is insufficient to carry on its business transactions and all business transactions in which it is about to engage.

Section 13.1.4 If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee;

Section 13.1.5 If a receiver or other custodian (permanent or temporary) of the Restaurant, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;

Section 13.1.6 If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee;

Section 13.1.7 If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved;

Section 13.1.8 If execution is levied against Franchisee's business or property;

Section 13.1.9 If any real or personal property of Franchisee's Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable;

Section 13.1.10 If Franchisee (or, if Franchisee is a corporation or partnership, any principal of Franchisee) is convicted of or pleads nolo contendere to a felony, fraud, sale of illegal drugs, a crime involving moral turpitude or any other crime that is directly related to Franchisee's conduct of the Franchised Restaurant, or any other crime that Franchisor determines to have an adverse effect on the Restaurant, the Franchisor's System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

Section 13.1.11 If, in violation of the terms of Sections 7 or 8 hereof, or the Confidentiality Agreement, Franchisee, its principals, representatives, agents or employees disclose

or divulge the contents of the Manuals or other confidential information provided to Franchisee by Franchisor, or if Franchisee maintains false books or records, or submits any false reports to Franchisor;

Section 13.1.12 If any inspection of Franchisee's records discloses an understatement of payments due Franchisor of four percent (4%) or more;

Section 13.1.13 If Franchisee or any principal of Franchisee is convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one (1) year that is directly related to the business conducted pursuant to this Agreement;

Section 13.1.14 If Franchisee's alternate candidate for management training shall not adequately complete such management training program, after either Franchisee or Franchisee's designated individual previously failed to complete adequately the management training;

Section 13.1.15 If an approved transfer is not effected within the time set forth in this section following Franchisee's or the principal of Franchisee's death or mental incompetency;

Section 13.1.16 Except as otherwise provided in this Franchise Agreement, if Franchisee at any time ceases to operate or otherwise abandons the Franchised Restaurant, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; or

Section 13.1.17 In the event of the gross negligence or willful breach of this Franchise Agreement by the Franchisee, or any of the principals of the Franchisee, in the breach of any of the covenants of the Franchisee contained in this Agreement.

Section 13.1.18 Failure to successfully complete the training program as required under Section 3.5, above.

Section 13.2 Except as provided in Sections 13.1., 13.3 and 13.4 of this Agreement, Franchisee shall have five (5) days after its receipt from Franchisor of a written notice of termination within which to remedy any default hereunder (or, if the default cannot reasonably be cured within such five (5) days, to initiate within that time substantial and continuing action to cure the default), and to provide evidence thereof to Franchisor. If any such default is not cured within that time (or, if appropriate, substantial and continuing action, in continuity, to cure the default is not initiated within that time), or such longer period as provided herein or as applicable law may require, this Agreement shall terminate with reference to such Approved Location(s) wherein said default shall occur without further notice to Franchisee effective immediately upon expiration of the five (5) day period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply with any of the requirements imposed by this Agreement or the Manuals, as it may from time to time reasonably be supplemented, or to carry out the terms of this Agreement. Such defaults shall include, without limitation, the occurrence of any of the following events:

Section 13.2.1 If Franchisee fails, refuses, or neglects promptly to pay when due any monies owing to Franchisor, the National Advertising Fee or to submit the financial or other information required by Franchisor under this Agreement, or makes any false statements in connection therewith;

Section 13.2.2 If Franchisee sells unauthorized products or products not meeting Franchisor's specifications;

Section 13.2.3. If Franchisee fails to maintain any of the standards or procedures prescribed by Franchisor in this Agreement, the Manuals, or otherwise in writing; or

Section 13.2.4. If Franchisee fails to maintain the character and nature of the Restaurant through alteration of the product selection, product restrictions, image, design or inventory.

Section 13.3 Except as provided in Sections 13.1, 13.2 and 13.4 of this Agreement, Franchisee shall have ten (10) days after its receipt from Franchisor of a written notice of termination within which to remedy any default hereunder (or, if the default cannot reasonably be cured within such ten (10) days, to initiate within that time substantial and continuing action to cure the default), and to provide evidence thereof to Franchisor. If any such default is not cured within that time (or, if appropriate, substantial and continuing action in continuity to cure the default is not initiated within that time) , or such longer period as applicable law may require, this Agreement shall terminate with reference to such Approved Location(s) wherein said default shall occur without further notice to Franchisee effective immediately upon expiration of the ten (10) day period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply with any of the requirements imposed by this Agreement or the Manuals, as it may from time to time reasonably be supplemented, or to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

Section 13.3.1 If a threat or danger to public health or safety results from the maintenance or operation of the Restaurant which is not immediately corrected by Franchisee;

Section 13.3.2 If Franchisee or any partner of or shareholder in Franchisee purports to transfer any rights or obligations under this Agreement or any interest in Franchisee to any third party without Franchisor's prior written consent, contrary to the terms of Section 12 of this Agreement;

Section 13.3.3 If Franchisee fails to comply with the in-term covenants in Section 15.2 hereof or fails to obtain execution of the covenants required under Section 8.2. or Section 16 hereof; or

Section 13.3.4 If Franchisee, after curing a default pursuant to Section 13.3 hereof, commits the same act of default two additional times within one (1) year of the initial act of default.

Section 13.4 Except as provided in Sections 13.1, 13.2 and 13.3 of this Agreement, Franchisee shall have thirty (30) days after its receipt from Franchisor of a written notice of termination within which to remedy any default hereunder (or, if the default cannot reasonably be cured within such thirty (30) days, to initiate within that time substantial and continuing action to cure the default), and to provide evidence thereof to Franchisor. If any such default is not cured within that time (or, if appropriate, substantial and continuing action to cure the default is not initiated within that time), or such longer period as applicable law may require, this Agreement shall terminate with reference to such Approved Location(s) wherein said default shall occur without further notice to Franchisee effective immediately upon expiration of the thirty (30) day period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply with any of the requirements imposed by this Agreement or the Manuals, as it may from time to time reasonably be supplemented, or to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

Section 13.4.1 If Franchisee's liquor license is revoked or suspended for any reason;

Section 13.4.2 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein;

Section 13.4.3 If Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to the Proprietary Marks or the Franchisor's System;

Section 13.4.4 If Franchisee, by act or omission, commits or permits a violation of any terms and provisions of this Franchise Agreement not specifically addressed this Section, or of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;

Section 13.4.5 If Franchisee fails to maintain a responsible credit rating by failing to make prompt payment of undisputed bills, invoices and statements from suppliers of goods and services to the Franchised Restaurant;

Section 13.4.6 If Franchisee, without the prior written consent of Franchisor, enters into a management agreement or consulting arrangement relating to the Franchised Restaurant with any person or with an entity not wholly owned by Franchisee;

Section 13.4.7 If Franchisee defaults under a lease for or relating to the Restaurant, or under any mortgage, chattel mortgage, conditional bills of sale, title retention contracts or security agreements of every kind or character, and does not cure such default within any grace period provided by the lease or security instrument; or

Section 13.4.8 If Franchisee fails to pay on a timely basis its taxes or other governmental charges, rent, lease payments, or payments to suppliers, contractors, or trade creditors.

Section 13.4.9 If the current liabilities of Franchisee exceed the current assets of Franchisee, as shown on any balance sheet of Franchisee furnished to the Franchisor; provided that a default of this nature must be cured within the original thirty (30) day cure period, and its cure may be effected solely by delivery of (i) an audited or unaudited balance sheet of Franchisee, dated as of the end of the month preceding the last day of the cure period, demonstrating that the current assets of Franchisee exceed the current liabilities of Franchisee, and (ii) a written certification, executed by the chief executive officer and the chief accounting officer of Franchisee, that the balance sheet is accurate and that as of the date of the certification, Franchisee's current assets exceed its current liabilities.

Section 13.5 Any and all claims (except for monies due Franchisor) arising out of or related to the offer, sale, negotiation, administration and termination of this Agreement, or the relationship between or among the parties hereto, shall be barred unless an action at law or in equity is properly filed in a court of competent jurisdiction within one (1) year from the date Franchisee or Franchisor knows or should have known of the fact giving rise to such claim, except to the extent any applicable law or statute provides for a shorter period of time to bring a claim.

SECTION FOURTEEN--OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

Section 14.1 Franchisee shall immediately cease to operate the business franchised 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.

Section 14.2 Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the Franchisor's System; the Proprietary Mark "Bobby Salazar's Mexican Restaurant and Cantina®" and/or "Bobby Salazar's Taqueria"; or all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the Franchisor's System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles which display the Proprietary Marks; provided, however, that this Section 14.2 shall not apply to the operation by Franchisee of any other franchise under the Franchisor's System which may be separately and independently granted by Franchisor to Franchisee.

Section 14.3 Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Bobby Salazar's Mexican Restaurant and Cantina®" or "Bobby Salazar's Taqueria" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with confirmation that this obligation has been fulfilled within

thirty (30) days after termination or expiration of this Agreement.

Section 14.4 Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or the Franchisor's System.

Section 14.5 Franchisee shall promptly pay to Franchisor (a) all sums owing to Franchisor accrued through the effective date of termination following performance by the Franchisee of the provisions of Section 14, and (b) an amount equal to the Fee payable by Franchisee for the thirteen (13) four (4) week periods prior to the date of notice by Franchisor to Franchisee of termination of this Agreement [or if this Agreement is terminated prior to the expiration of thirteen (13) four (4) week periods, then the amount of such Fees payable by Franchisee projected to said thirteen (13) four (4) week periods], and (c) all costs and expenses, including reasonable attorney's fees, incurred by Franchisor as a result of the default, which obligation, until paid in full, shall be and constitute a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, inventory and assets owned by Franchisee and on the premises operated hereunder at the time of default. The Franchisor and the Franchisee specifically acknowledge and agree that the damage to Franchisor from Franchisee's default hereunder would be difficult or impossible to accurately determine, and that the sums payable by Franchisee to Franchisor, as herein provided, are a reasonable estimate of Franchisor's damages and does not constitute a penalty.

Section 14.6 Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorney's fees, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provisions of Section 14.

Section 14.7 Franchisee shall immediately deliver to Franchisor all manuals, including the Manuals, records, files, instructions, correspondence, all materials related to operating the Franchised Restaurant, including, without limitation, brochures, agreements, invoices, and any and all other materials relating to the operation of the Franchised Restaurant in Franchisee's possession, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

Section 14.8 Within ten (10) days from the date of termination of this Agreement, Franchisee and Franchisor shall arrange for an inventory to be made, at Franchisor's cost if required by Franchisor, of all of the assets of the Restaurant, including without limitation resalable merchandise, decor package, signs, and any items containing the Proprietary Marks related to the operation of the Restaurant. Franchisor shall have the option to purchase from Franchisee any or all

such items at fair market value, as determined by an independent appraiser designated by Franchisor, which determination by such appraiser shall be conclusive and binding on all parties; such option may be exercised by Franchisor within thirty (30) days from the date of receipt of such appraisal, for closing of purchase and sale within thirty (30) days from the date of exercise of such option.

SECTION FIFTEEN COVENANTS

Section 15.1 Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall devote his full time, energy, and best efforts to the management and operation of the Franchised Restaurant hereunder.

Section 15.2 Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee 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 Franchisor's System. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or affiliate of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

Section 15.3 Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, during the term of this Agreement and for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for five (5) years thereafter, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any restaurant business featuring Mexican cuisine, with similar decor or similar menu items to other Franchised Restaurants or Franchisor owned and operated restaurants within a ten (10) mile radius of the Franchise Restaurant location designated hereunder, or within a ten (10) mile radius of any other Bobby Salazar's Taqueria or Bobby Salazar's Mexican Restaurant and Cantina® Restaurant in existence or planned as of the time of termination or expiration of this Agreement, as identified in the Franchise Offering Circular of Franchisor in effect as of the date of expiration or termination of this Agreement.

Section 15.4 Section 15.3 shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

Section 15.5 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision in a proceeding to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such

covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 15.

Section 15.6 Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.2. and 15.3 of this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 20 hereof.

Section 15.7 Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 15. Franchisee agrees to pay all damages, costs and expenses (including reasonable attorney's fees) incurred by Franchisor in connection with the enforcement of this Section 15.

Section 15.8 Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15 and waives any requirement for the posting of any bond(s) relating thereto.

Section 15.9 At Franchisor's request, Franchisee shall require and obtain execution of covenants set forth in this Section 15 (including covenants applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (1) all principals of Franchisee (if Franchisee is a corporation, partnership or limited liability company), all managers of Franchisee, and any other personnel employed by Franchisee who have received or will receive training in the Franchisor's System; (2) all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities or ownership of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; (3) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership; and (4) the members (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any member), if Franchisee is a limited liability company. Every covenant required by this Section 15.9 shall be in a form and substance satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce such covenants. Failure by Franchisee to obtain execution of a covenant required by this Section 15.9 shall constitute a default under Section 13.2 hereof.

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SECTION SIXTEEN--TAXES, PERMITS, AND INDEBTEDNESS

Section 16.1 Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax, or similar tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

Section 16.2 In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Restaurant, or any improvements thereon.

Section 16.3 Franchisee shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, a liquor license, business license, fictitious name registrations, sales tax permits, and fire and liability insurance.

Section 16.4 Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which adversely affects or relates to the operation or financial condition of the Franchised Restaurant.

SECTION SEVENTEEN--INDEPENDENT CONTRACTOR

Section 17.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between the parties hereto or any affiliated or related parties or entities; that Franchisee is an independent contractor; and that nothing in this agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

Section 17.2 During the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the franchised premises, the content and form of which Franchisor reserves the right to specify.

Section 17.3 It is understood and agreed that nothing in this Agreement authorizes

Franchisee, and Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Franchised Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

SECTION EIGHTEEN--INDEMNIFICATION

Section 18.1 As used in this Section, the phrase "losses and expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

Section 18.2 Franchisee shall, at all times, indemnify, defend and hold harmless to the fullest extent permitted by law Franchisor, its successors and assigns and the respective directors, officers, employees, agents and representatives of each (collectively, the "Indemnities") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon Franchisee's acquisition, construction, renovation, financing, management and operation of the Franchised Restaurant, including, without limitation, any of the following:

Section 18.2.1 Franchisee's violation, breach or asserted violation or breach of any contract, federal state or local law, regulation, rule, order, standard, or directive or of any industry standard;

Section 18.2.2 Libel, slander or any other form of defamation by Franchisee;

Section 18.2.3 Franchisee's violation or breach of any warranty, representation, agreement or obligation in this Agreement;

Section 18.2.4 Acts, errors or omissions of Franchisee or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

This indemnification shall include cases alleging the negligence of any Indemnitee, including, without limitation, negligence in the supervision and inspection of the Franchised Restaurant, the training of a Restaurant employee, and the specification of Franchisor's System standards, but excluding any case in which the Indemnitee is determined by a court of competent jurisdiction to

have engaged in gross negligence or willful misconduct. The indemnification set forth in this Section shall survive the termination of this Agreement.

Section 18.3 Franchisee shall promptly notify Franchisor of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 18.2. If Franchisor is or may be named as a party in any such action, Franchisor may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof, at the cost and expense of Franchisee. No such undertaking by Franchisor shall, in any manner or form, diminish Franchisee's obligation to indemnify, defend and hold Franchisor harmless.

Section 18.4 With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, Franchisor may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of Franchisor or others, order, consent or agree to any settlement or take any remedial or corrective action as Franchisor deems expedient, if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

Section 18.4.1 any of the acts or circumstances enumerated in Section 18.2. have occurred; or

Section 18.4.2 any act, error, or omission of Franchisee may result directly in or indirectly in damage, injury or harm to any person or any property.

Section 18.5 All losses and expenses incurred under this Section 18 shall be chargeable to and paid by Franchisee pursuant to its obligations of indemnity hereunder.

Section 18.6 Under no circumstances shall the Indemnities be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss shall in no way reduce the amounts recoverable by the Indemnities from Franchisee.

Section 18.7 The Indemnities assume no liability whatsoever for any acts, errors, or omissions of any persons with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnities and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom Franchisee may contract.

SECTION NINETEEN--APPROVALS AND WAIVERS

Section 19.1 Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing.

Section 19.2 Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval,

consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor.

Section 19.3 No failure of Franchisor to exercise any power reserved to it in this Agreement, or to insist upon compliance by Franchisee with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with any of the terms of this Agreement. Waiver by Franchisor of any particular default 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, forbearance, or omission by Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement affect or impair Franchisor's rights; nor shall such constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

SECTION TWENTY--NOTICES

Section 20.1 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified, registered or express mail, return receipt requested, or by overnight delivery service, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Bobby Salazar's Mexican Restaurant and Cantina
2810 San Antonio Drive
Fowler, CA 93625

Attention: Franchise Department

With Copy To:

Richard A. Harris, Esq.
WILD, CARTER & TIPTON
246 W. Shaw Avenue
Fresno, California 93704

Notices to Franchisee:

Any notice by certified, registered or express mail, or overnight delivery service, shall be deemed to have been given at the earlier of the date and time of receipt or refusal of receipt or, if by mail, three (3) business days after being deposited in the United States mail.

SECTION TWENTY ONE--ENTIRE AGREEMENT

Section 21.1 This Agreement, the documents referred to herein, and the attachments hereto, if any, constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. Except for those acts permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

SECTION TWENTY TWO--SEVERABILITY AND CONSTRUCTION

Section 22.1 Except as expressly provided to the contrary herein, each portion, section, part, term and/or provision of this Agreement shall be considered severable; and if, for any reason, a portion, section, 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 by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise valid and enforceable; and the latter shall continue to be given full force and effect and bind the parties hereof; and said invalid portions, sections, parts, and/or provisions shall be deemed not to be a part of this Agreement.

Section 22.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, and employees, and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 12 hereof, any rights or remedies under or by reason of this Agreement.

Section 22.3 Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated 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 in a proceeding 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.

Section 22.4 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

Section 22.5 All references herein to the masculine, neuter, or singular shall be construed

to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

Section 22.6 This Agreement may be executed in several counterparts, and each copy so executed shall be deemed an original.

SECTION TWENTY THREE--FORCE MAJEURE

Section 23. Except for monetary obligations hereunder, or as otherwise specifically provided in this Franchise Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement not the fault of such party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in Section 1 of this Franchise Agreement.

SECTION TWENTY FOUR--APPLICABLE LAW

Section 24.1 This Agreement takes effect upon its acceptance and execution by Franchisor as its principal office in the State of California, and shall be interpreted and construed under the laws of the State of California which laws shall prevail in the event of any conflict of law.

Section 24.2 The parties agree that any action brought by either party against the other in any court, whether federal or state, may, at the option of Franchisor, be brought within the State of California in the judicial circuit or district in which Franchisor has its principal place of business and Franchisee does hereby agree to and submit to such jurisdiction and does hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

Section 24.3 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 cumulative of every other right or remedy.

Section 24.4 Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

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SECTION TWENTY FIVE--ARBITRATION

Section 25.01 Any controversy, dispute or default arising out of or relating to this Franchise Agreement, or any breach thereof, shall be settled by arbitration. Such arbitration shall be effected by arbitrators selected as hereinafter provided and shall be conducted in Fresno County, California, in accordance with the Rules of the American Arbitration Association existing at the date thereof.

The dispute shall be submitted to three arbitrators who are listed on the commercial law panels of the American Arbitration Association, one arbitrator shall be selected by Franchisor and Franchisee. In the event that Franchisor and Franchisee, within ten (10) days hereunder, shall not have selected its arbitrator and given notice thereof to the other, such arbitrator shall be selected by the American Arbitration Association.

Judgment may be entered on any decision rendered by the arbitrators in the Federal or State Court located within the County of Fresno, State of California. Franchisee and Franchisor shall each pay one-half of costs of the fees and expenses of the arbitrators selected by or for them. In the event of arbitration of this Franchise Agreement, the prevailing party shall be entitled to reasonable attorneys' fees.

SECTION TWENTY SIX-- ACKNOWLEDGMENTS

Section 26.1 Franchisee acknowledges that it has conducted an independent investigation of the Franchised Restaurant, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

Section 26.2 Franchisee acknowledges that it received a copy of the complete Bobby Salazar's Mexican Restaurant and Cantina Franchise Agreement, the Attachments thereto, and agreements relating thereto, if any, at least five (5) business days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least ten (10) business days prior to the date on which this Agreement was executed.

SECTION 26.3 Franchisee acknowledges that it has read and understood this Agreement, the Attachments hereto, and any agreements relating thereto, and that Franchisee has been advised by a representative of Franchisor to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

SECTION 26.4 Franchisee acknowledges that any statements, oral or written, by Franchisor

or its agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by Franchisor. The only representations, warranties and obligations of Franchisor are those specifically set forth in this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained herein.

SECTION 26.5 Franchisee acknowledges that Franchisor will not provide or designate locations for Franchisee, will not provide financial assistance to Franchisee, and has made no representation that it will buy back from Franchisee any products, supplies or equipment purchased by Franchisee in connection with the Franchised Restaurant.

SECTION 26.6 Franchisee, and each party executing Exhibit "A" hereto, acknowledges that Franchisor, itself or through any officer, director, employee or agent, has not made, and Franchisee has not received or relied upon, any oral or written, visual, express or implied information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that Franchisee might expect to achieve from operating the Franchised Restaurant, except as set forth in the Franchise Offering Circular reviewed by Franchisee or its representatives and except as follows, (if no exceptions, please initial):

INITIALS: _____

SECTION 26.7 Franchisee acknowledges that the terms of the Bobby Salazar's Mexican Restaurant & Cantina Franchise Circular ("Circular") will control in the event a conflict arises between the terms contained in this Franchise Agreement and the terms contained within the Circular.

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

"FRANCHISEE"

"FRANCHISOR"

BOBBY SALAZAR'S MEXICAN RESTAURANT AND CANTINA,
a California corporation

By: _____

Its: _____

EXHIBIT "A"

CORPORATE GUARANTY

WHEREAS, the undersigned are the majority shareholders of the Franchisee (hereinafter, jointly and severally, referred to collectively as the "Undersigned"), as designated in the foregoing Franchise Agreement; and

WHEREAS, as a condition to and in consideration of Franchisor entering into said Franchise Agreement with Franchisee, Franchisor has required that the Undersigned guarantee the performance by the Franchisee of all of the: (a) non-monetary covenants and agreements of the Franchisee contained in the Franchise Agreement (the "Non-Monetary Covenants"); (b) monetary covenants and agreements of the Franchisee ("Monetary Covenants") contained in the Franchise Agreement; and (c) the covenants and agreements contained within the Confidentiality Agreement ("Confidentiality Covenants"; hereinafter collectively referred to as the "Covenants"),

NOW, THEREFORE, in consideration of \$10.00, the entering into of the Franchise Agreement by the Franchisor, and other good and valuable considerations paid or delivered to the Undersigned, the receipt and sufficiency of which are herewith acknowledged by the Undersigned hereby agrees as follows:

1. The Undersigned guarantees the due and punctual payment when due of Monetary Covenants, the due and punctual performance of the Non-Monetary Covenants and strict adherence to the Confidentiality Covenants. The Undersigned agrees that, with reference to the Monetary Covenants, this guarantee is a guarantee of payment and not of collection, and that the obligations of the Undersigned are primary, absolute, and unconditional and, without impairing or releasing or affecting the obligations of the Undersigned hereunder, and without notice to or consent of the Undersigned, the Franchisor may: (a) amend or modify in any respect the Franchise Agreement, and (b) extend or waive any time for Franchisee's or any other person's or entity's performance of or compliance with any term, covenant or agreement to be performed or observed under the Franchise Agreement, or waive such performance or compliance or consent to a failure of or departure from such performance or compliance, and (c) take any action under or with respect to the Franchise Agreement in the exercise of any remedy, power or privilege contained therein or available to the franchisor at law, in equity, or otherwise, or waive or refrain from exercising any such remedies, powers or privileges. The Undersigned hereby waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Franchisor to proceed with respect to the Covenants or any other party before proceeding against, or as a condition to proceeding against the Undersigned hereunder.

2. The Undersigned hereby subordinates all obligations of Franchisee to the Undersigned under any note, agreement, contract, guaranty or accommodation claim or right of action, and any other obligations of Franchisee to the Undersigned, however and whenever created,

arising or evidenced, whether direct or indirect, absolute, contingent, or otherwise, now or hereafter arising, or due or to become due, to the Covenants.

3. This agreement shall be construed and enforced in accordance with the laws of the State of California, and shall be binding upon and shall inure to the benefit of the legal representatives, successors, and permitted transfers and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned party or parties has (or have) hereunto set his/their hand (s) and seal (s) this _____ day of _____.

_____ (Seal)

_____ (Seal)

_____ (Seal)

_____ (Seal)

[Additional Guarantees Follow as Applicable]

PARTNERSHIP GUARANTY

WHEREAS, the undersigned are the limited partners of the Franchisee (hereinafter, jointly and severally, referred to collectively as the "Undersigned") , as designated in the foregoing Franchise Agreement; and

WHEREAS, as a condition to and in consideration of Franchisor entering into said Franchise Agreement with Franchisee, Franchisor has required that the Undersigned guarantee the performance by the Franchisee of all of the: (a) non-monetary covenants and agreements of the Franchisee contained in the Franchise Agreement (the "Non-Monetary Covenants"); (b) monetary covenants and agreements of the Franchisee ("Monetary Covenants") contained in the Franchise Agreement; and (c) the covenants and agreements contained within the Confidentiality Agreement ("Confidentiality Covenants"; hereinafter collectively referred to as the "Covenants"),

NOW, THEREFORE, in consideration of \$10.00, the entering into of the Franchise Agreement by the Franchisor, and other good and valuable considerations paid or delivered to the Undersigned, the receipt and sufficiency of which are herewith acknowledged by the Undersigned hereby agrees as follows:

1. The Undersigned guarantees the due and punctual payment when due of Monetary Covenants, the due and punctual performance of the Non-Monetary Covenants and strict adherence to the Confidentiality Covenants. The Undersigned agrees that, with reference to the Monetary Covenants, this guarantee is a guarantee of payment and not of collection, and that the obligations of the Undersigned are primary, absolute, and unconditional and, without impairing or releasing or affecting the obligations of the Undersigned hereunder, and without notice to or consent of the Undersigned, the Franchisor may: (a) amend or modify in any respect the Franchise Agreement, and (b) extend or waive any time for Franchisee's or any other person's or entity's performance of or compliance with any term, covenant or agreement to be performed or observed under the Franchise Agreement, or waive such performance or compliance or consent to a failure of or departure from such performance or compliance, and (c) take any action under or with respect to the Franchise Agreement in the exercise of any remedy, power or privilege contained therein or available to the franchisor at law, in equity, or otherwise, or waive or refrain from exercising any such remedies, powers or privileges. The Undersigned hereby waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Franchisor to proceed with respect to the Covenants or any other party before proceeding against, or as a condition to proceeding against the Undersigned hereunder.

2. The Undersigned hereby subordinates all obligations of Franchisee to the Undersigned under any note, agreement, contract, guaranty or accommodation claim or right of action, and any other obligations of Franchisee to the Undersigned, however and whenever created, arising or evidenced, whether direct or indirect, absolute, contingent, or otherwise, now

or hereafter arising, or due or to become due, to the Covenants.

3. This agreement shall be construed and enforced in accordance with the laws of the State of California, and shall be binding upon and shall inure to the benefit of the legal representatives, successors, and permitted transfers and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned party or parties has (or have) hereunto set his/their hand (s) and seal (s) this _____ day of _____.

_____ (Seal)

_____ (Seal)

_____ (Seal)

_____ (Seal)

[Additional Guarantees Follow as Applicable]

LIMITED LIABILITY COMPANY GUARANTY

WHEREAS, the undersigned are the members of the Franchisee (hereinafter, jointly and severally, referred to collectively as the "Undersigned") , as designated in the foregoing Franchise Agreement; and

WHEREAS, as a condition to and in consideration of Franchisor entering into said Franchise Agreement with Franchisee, Franchisor has required that the Undersigned guarantee the performance by the Franchisee of all of the: (a) non-monetary covenants and agreements of the Franchisee contained in the Franchise Agreement (the "Non-Monetary Covenants"); (b) monetary covenants and agreements of the Franchisee ("Monetary Covenants") contained in the Franchise Agreement; and (c) the covenants and agreements contained within the Confidentiality Agreement ("Confidentiality Covenants"; hereinafter collectively referred to as the "Covenants"),

NOW, THEREFORE, in consideration of \$10.00, the entering into of the Franchise Agreement by the Franchisor, and other good and valuable considerations paid or delivered to the Undersigned, the receipt and sufficiency of which are herewith acknowledged by the Undersigned hereby agrees as follows:

1. The Undersigned guarantees the due and punctual payment when due of Monetary Covenants, the due and punctual performance of the Non-Monetary Covenants and strict adherence to the Confidentiality Covenants. The Undersigned agrees that, with reference to the Monetary Covenants, this guarantee is a guarantee of payment and not of collection, and that the obligations of the Undersigned are primary, absolute, and unconditional and, without impairing or releasing or affecting the obligations of the Undersigned hereunder, and without notice to or consent of the Undersigned, the Franchisor may: (a) amend or modify in any respect the Franchise Agreement, and (b) extend or waive any time for Franchisee's or any other person's or entity's performance of or compliance with any term, covenant or agreement to be performed or observed under the Franchise Agreement, or waive such performance or compliance or consent to a failure of or departure from such performance or compliance, and (c) take any action under or with respect to the Franchise Agreement in the exercise of any remedy, power or privilege contained therein or available to the franchiser at law, in equity, or otherwise, or waive or refrain from exercising any such remedies, powers or privileges. The Undersigned hereby waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Franchisor to proceed with respect to the Covenants or any other party before proceeding against, or as a condition to proceeding against the Undersigned hereunder.

2. The Undersigned hereby subordinates all obligations of Franchisee to the Undersigned under any note, agreement, contract, guaranty or accommodation claim or right of action, and any other obligations of Franchisee to the Undersigned, however and whenever created, arising or evidenced, whether direct or indirect, absolute, contingent, or otherwise, now

or hereafter arising, or due or to become due, to the Covenants.

3. This agreement shall be construed and enforced in accordance with the laws of the State of California, and shall be binding upon and shall inure to the benefit of the legal representatives, successors, and permitted transfers and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned party or parties has (or have) hereunto set his/their hand (s) and seal (s) this _____ day of _____.

_____ (Seal)

_____ (Seal)

_____ (Seal)

_____ (Seal)

[Exhibit "B" follows]

EXHIBIT "B"

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made and entered into as of _____, 1999 by and between Bobby Salazar's Mexican Restaurant and Cantina, a California corporation ("Franchisor") and _____ a business entity in the form of either a corporation, limited partnership or limited liability company ("Franchisee"). Franchisor and Franchisee are concurrently entering into a Franchise Agreement dated of even date herewith (or have heretofore entered into such Franchise Agreement; (the "Franchise Agreement"), the terms (including definitions) of which are hereby incorporated by reference. In case of any inconsistency between any term of the Franchise Agreement and this Agreement, this Agreement shall control.

In consideration of the mutual promises of the parties set forth in the Franchise Agreement, and of Franchisor's disclosures to Franchisee of certain confidential, proprietary documents and information in reliance upon this Agreement, it is agreed as follows:

1. Franchisor owns the franchise known as Bobby Salazar's Mexican Restaurant and Cantina® and has the right to franchise it, including the reproduction and distribution of confidential information relating thereto. All tangible things which Franchisor has marked "Confidential" (or with words to similar effect) prior to their loan to Franchisee, collectively with their content, "Confidential Materials" are covered by this Agreement. All such Confidential Materials shall remain the property of Franchisor, and are (unless they bear copyright notices) unpublished works nonetheless protected under the U. S. Copyright Act. Confidential Materials include, but are not limited to, the following particularly sensitive document and things contained therein (as they may be revised or supplemented by Franchisor from time to time hereafter): the Confidential Operations Manual.

2. Franchisee shall hold and cause Confidential Materials to be held in the strictest confidence, following instructions published from time to time in the Confidential Operations Manual for preserving their confidentiality, and maintaining at least the same level of security for them as it maintains for its own most confidential business information. Franchisee shall take appropriate precautions to insure that access to Confidential Materials is limited to authorized Franchisee personnel (and with Franchisor's prior written consent, contractors) who have first signed a confidentiality agreement in the form attached as Exhibit A, and shall then permit access only on a need-to-know basis. Franchisee shall maintain a separate file for such confidentiality agreements, and shall make such file available for inspection and copying by Franchisor, upon written or oral request.

3. Neither the Franchisee nor any of its officers, directors, partners, employees, agents, independent contractors or affiliates, or any other persons or organizations over which

Franchisee has control (collectively, the "Obligors"), shall directly or indirectly use, disclose, copy, reproduce or duplicate all or any part of the Confidential Materials for any purpose not associated with complying with the Franchisee's duties under the Franchise Agreement, or disseminate, loan, assign, reveal or disclose all or any part of the Confidential Materials to any person or organization not licensed or affiliated with Franchisor unless with the express prior written consent of Franchisor. Additional copies or reprints of Confidential Materials may be obtained only from Franchisor, if needed. If Franchisor permits Franchisee to cause derivative works to be prepared from Confidential Materials (for example, architectural and construction plans), such works shall be created as a work-made-for hire (if by an independent contractor, under a written agreement so stipulating) and Franchisee shall at the conclusion of such work assign all copyrights therein to Franchisor (including, without limitation, first publication rights and the right to make copies) .

4 . If Franchisee is licensed to use any proprietary computer programs of Franchisor, Obligors shall not attempt to translate, decompile, decode, modify, merge or otherwise alter the object code of such programs.

5. Franchisee shall use its best efforts to collect all copies of Confidential Materials from each employee and independent contractor permitted access to them, at or prior to termination of such employment or retention. Upon termination of the Franchise (or earlier as requested by Franchisor) , Franchisee shall return to Franchisor at Franchisee's expense or destroy (as Franchisor directs) any or all copies of Confidential Materials, and all other tangible things containing information from or otherwise derived from such Confidential Materials, then in Franchisee's actual or constructive possession.

6. In the event that any Obligor shall breach this Agreement, or the separately signed Confidentiality Agreement in the form of Exhibit A, or in the event that such breach appears to be imminent, Franchisor shall be entitled to all legal and equitable remedies afforded by law as a consequence of such breach or imminent breach, and may, in addition to any and all other forms of relief, recover from the breaching Obligor all reasonable costs and attorney's fees incurred by Franchisor in seeking any such remedy. Franchisee acknowledges that Confidential Materials contain Franchisor's commercially valuable trade secrets and that unauthorized use or disclosure of all or any part of them would cause great and irreparable injury, for which there may be no adequate remedy at law.

7. While some of the information contained in the Confidential Materials may already be known by Franchisee or its personnel or be in the public domain, Franchisee acknowledges that the compilation of that information in Confidential Materials has cost Franchisor great effort and expense, and affords the persons to whom the Confidential Materials are disclosed, including the obligors, a competitive advantage over persons who do not know the information or have the compilation contained in the Confidential Materials. Franchisee and the Obligors shall be liable for damages sustained by Franchisor as a result of willful or negligent publication or dissemination of the Confidential Materials or any information contained therein by Obligors to whom Franchisee has disclosed Confidential Materials. The burden of proof shall be on the party opposed to Franchisor

in any claim that the Confidential Materials or any information contained therein in the form presented is not confidential or secret.

8. This Agreement shall remain in effect from the above date until the Term expires or otherwise terminates, and thereafter for the lesser of ten (10) years or the longest time permitted by applicable law. Confidential Material describing a food or beverage recipe, list of ingredients, and preparation and serving instructions shall remain secret and confidential forever, unless Franchisor causes the same to be disclosed without a secrecy obligation from the discloses. It shall be binding upon the parties hereto and upon their respective executors, administrators, legal representatives, heirs, successors and assigns.

9. This Agreement shall be governed for all purposes by the laws of the State of California. If any provision of this Agreement is declared void, or otherwise unenforceable, such provision shall be deemed to have been severed from this Agreement, which shall otherwise remain in full force and effect.

10. Any Franchisee notice, consent request or the like shall be in writing and shall be sent via first class United States mail or by any courier service having receipted delivery, to Franchisor at 2810 San Antonio Drive, Fowler, CA, Attention: President, or to such other address or persons as Franchisor shall advise the undersigned in writing from time to time. Notice to or consent from an officer of Franchisor shall be sufficient.

The undersigned acknowledges and agrees that it has read the foregoing, understands all of its obligations under this Agreement, is duly authorized to sign this Agreement, is willing to receive and use the Confidential Materials in full compliance with the terms of this Agreement, and that this Agreement does not require the signatures of officers of Franchisor.

“FRANCHISEE”

By: _____

Its: _____

“FRANCHISOR”

By: _____

Its: _____

[Exhibit “A” to Confidentiality Agreement follows]

EXHIBIT "A"
TO
CONFIDENTIALITY AGREEMENT

I, _____, am either an employee/independent contractor or a shareholder, director, officer, partner, or member of _____ ("Employer"), and in order to induce disclosure to the Employer of certain confidential, proprietary documents and information ("Confidential Materials") owned or licensed by Bobby Salazar's Mexican Restaurant and Cantina ("Franchisor"), represent and warrant to Employer and that:

1. I understand that written or otherwise recorded Confidential Materials remain the property of Franchisor and are (unless they bear copyright notices) unpublished works nonetheless protected under the U.S. Copyright Act, which include valuable Franchisor trade secrets and confidential information. I further understand that Franchisor has made and will continue to make substantial investments in developing Confidential Materials, which can be recouped only if Franchisor's proprietary rights are honored, and that any unauthorized use or disclosure by me or all or any part of the Confidential Materials would cause Franchisor great and irreparable injury.

2. I acknowledge that all tangible things which Franchisor has marked "Confidential" (or with words to similar effect) prior to their loan to Employer, are Confidential Materials covered by this Confidentiality Agreement, and that the following (as they may be revised or supplemented by Franchisor from time to time) are particularly sensitive: Confidential Operations Manual.

3. I promise that I will use Confidential Materials and information contained therein only at places designated by Employer, in furtherance of Employer's business, and pursuant to Employer's direction. I will not (except as Employer properly directs) copy all or any part of Confidential Materials, or transfer or loan to any other person any Confidential materials which are entrusted to me. If Employer directs me to create works derived from Confidential Materials (for example, architectural and construction plans), such works shall be deemed works-made-for hire and Employer shall own all copyrights in such works, subject to its obligations to assign such rights to Franchisor.

4. If my employment or relationship by or with Employer terminates or I am no longer assigned to work with Confidential Materials, I will promptly surrender to Employer all copies of Confidential Materials and any Confidential Operations Manual notes, memoranda and the like concerning or derived from them, which are then in my possession or control.

5. I will not disclose all or any part of Confidential Materials or information contained therein to any person who is not also employed (directly or as an independent contractor) by Employer, and then only pursuant to Employers, directions.

6. If I am granted access to any Confidential Materials which are computer programs,

I will not attempt to translate, decompile, decode, modify, merge or otherwise alter the object code Confidential Operations Manual of such programs.

7. My obligation to preserve the confidentiality of Confidential Materials and information contained therein will continue for the longest term permitted by applicable law after termination of my employment by Employer, even if that termination is wrongful, but in no event less than ten (10) years. I understand that this is not an employment agreement of any kind. I understand further that Confidential Material describing a food or beverage recipe, list of ingredients, and preparation and serving instructions shall remain secret and confidential forever, unless Franchisor causes the same to be disclosed without a secrecy obligation form the discloses.

8. If a dispute arises as to whether particular information in Confidential Materials, used or disclosed by me in violation of this Agreement, is confidential information or a trade secret, I agree that I shall bear the burden of proving that I knew the information prior to first disclosure to me of the Confidential Materials containing it, that it or the Confidential Materials first became publicly known through no wrongful act on my part, or that I independently developed it without reference to any Confidential Materials.

9. I shall be liable to Franchisor for damages caused by my willful or negligent use or disclosure of Confidential Materials or information contained therein, in violation of this Agreement.

10. This Agreement shall be governed for all purposes by the laws of the State of California, and shall be construed to maximize protection of Franchisor's rights in the Confidential Materials. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed, and the balance of the Agreement shall remain in full force and effect.

Dated:

“FRANCHISEE”

By: _____

Its: _____

“FRANCHISOR”

By: _____

Its: _____

EXHIBIT "C"

EFT (Electronic Funds Transfer) AUTHORIZATION FORM

I _____, representing _____, and commencing _____ do hereby authorize Bobby Salazar's Mexican Restaurant and Cantina, Inc. ("Franchisor") to electronically transfer funds for all fees imposed by and payable to Franchisor, or Franchisor's affiliates, including, but not limited to Royalty Fees, National Advertising Fees, etc., via electronic transfer of funds _____. The payment date will be according to the terms of the franchise agreement, which is every Wednesday for Royalties, on or before the 15th of the month for National 1% and National and Bobby Salazar's Other as needed.

The procedure for this payment program will be as follows:

1. You must provide Franchisor with a voided check from the account that Franchisor will withdraw funds.
2. You must fax in your Royalty sheet on Monday for the previous week or Franchisor will receive this sheet electronically if available. If the sheet is not received, Franchisor will estimate the amount.
3. You must fax in your National 1% sheet on or before the 10th of the following month or Franchisor will receive this sheet electronically if available. If the sheet is not received, Franchisor will estimate the amount.

To ensure funds are available on Thursday of each week, Franchisor will instigate the transaction for Royalty payment on Wednesday, and your account will be charged the payment on Thursday or Friday. For National 1% payment, Franchisor will instigate the payment on the 15th of the month. If the 15th falls on a weekend, the funds will be withdrawn Monday. For National and Franchisor's Other, you will be given at least one (1) week prior notification of what you will be charged for and how much.

All estimated net sales will be reconciled once a month on the actual net sales and taken out or credited the following week, along with the regular withdrawal that week.

By signing below, you are also certifying that the figures you will be submitting via fax or electronically are true and accurate to the best of your knowledge.

There should be no charge to your store by your bank. If you do receive charges, please notify the CFO at Bobby Salazar Mexican Restaurant and Cantina, Inc.

Franchisee's Signature

Date