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**^FARMER BOYS®**  
**AREA DEVELOPMENT**  
**AGREEMENT**

**EXHIBIT C-3**

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April 24, 2006

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**ATTACHMENTS:**

- 1: Development Area
- 2: Development Schedule

# AREA DEVELOPMENT AGREEMENT

## 1. PARTIES

THIS AREA DEVELOPMENT AGREEMENT ( the "Agreement") is made on \_\_\_\_\_ [date], (the "Effective Date") between Farmer Boys Food, Inc. ( " F a r m e r   B o y s " ,   " w e "   o r   " u s " ) ,   a n d ^ \_\_\_\_\_ [developer's legal name] ("you"), with reference to the following facts:

## 2. RECITALS

A. We are the owner of certain intellectual property rights, including our Trade Name and Mark, "FARMER BOYS®." We have spent a considerable amount of time, effort, and money to devise, and continues to develop, business methods, technical knowledge, and marketing concepts including, but not limited to, site selection criteria, trade secrets, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, trade dress, architectural design and uniforms, and employee training techniques, that, taken together, comprise a proprietary System for the operation of FARMER BOYS® Restaurants.

B. We would like to expand and develop the System, and seeks experienced and efficient multiple-unit franchisees who will develop and operate Restaurants for the System within designated areas.

C. You would like to build and operate FARMER BOYS® Restaurants and we would like to grant to you the right to build and operate Restaurants in accordance with the terms and on the conditions contained in this Agreement.

THEREFORE, IT IS AGREED:

## 3. DEFINITIONS

For purposes of this Franchise Agreement, when any of the following words and phrases begin with a capital letter, their meaning is defined in this Article 3:

### **3.1. Agreement**

"The Agreement" or "this Agreement" means "this Area Development Agreement."

### **3.2. Approved Location**

"Approved Location" means "a location that Farmer Boys has approved in writing as a site at which you may operate a FARMER BOYS® Restaurant."

### **3.3. Development Area**

"Development Area" means "the geographic area more fully described in Attachment 1 to this Agreement."

### **3.4. Development Fee**

"Development Fee" means "the sum of Twelve Thousand Five Hundred Dollars (\$12,500) multiplied by the number of Restaurants required to be opened during the Term in accordance with the Development Schedule."

### **3.5. Development Periods**

"Development Periods" means "the time periods specified in Attachment 2 to this Agreement."

### **3.6. Disclosure Periods**

"Disclosure Periods" means "any applicable waiting periods prescribed by law between (a) provision of legal documents by us to you; and (b) your signing of a franchise agreement or payment for a franchise."

### **3.7. FARMER BOYS® Restaurant**

"FARMER BOYS® Restaurant" means "an enterprise that we have authorized you to conduct under the Trade Name, Marks, and System at an Approved Location under a franchise agreement."

### **3.8. Franchise Network**

"Franchise Network" means "the interdependent network composed of Farmer Boys, all FARMER BOYS® franchisees, Farmer Boys' Related Parties, and any other people or business entities that we have licensed to use the Trade Name, Marks, System or any of them."

### **3.9. Farmer Boys**

"Farmer Boys" means "Farmer Boys Food, Inc. or any person or entity to which we allocate all or part of our rights and obligations under this Agreement."

### **3.10. Marks**

"Marks" means "selected marks licensed by us to you under this Agreement, including the principal mark, "FARMER BOYS®."

### **3.11. Development Schedule**

"Development Schedule" means "the cumulative number of Restaurants stated in Attachment 2 to this Agreement within each of the Development Periods specified in Attachment 2."

### **3.12. Offering Circular**

"Offering Circular" means "Our current Uniform Franchise Offering Circular at the point in time referenced."

### **3.13. Related Party**

"Related Party" or "Related Parties" means "people and companies associated with you or us, as the context indicates, including, but not limited to, owners, general partners, limited partners owning an interest in you or us, shareholders owning an interest in you or us, members owning an interest in you or us, partnerships, limited liability companies, or corporations in which you or we have an interest, partnerships, limited liability companies, or corporations in which any person or entity owning an interest in you also has an interest, your officers, directors, employees, or agents, or officers, directors, employees, managing members, or our agents."

### **3.14. System**

"System" means "the business methods, technical knowledge, and marketing concepts licensed by us to a franchisee under this Agreement, including, but not limited to, the right to use our operational processes, trade secrets, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, trade dress, architectural design and uniforms, and employee training techniques that, taken together, comprise a proprietary System for the operation of FARMER BOYS® Restaurants."

### **3.15. Trade Name**

"Trade Name" means "the commercial name 'FARMER BOYS®.'"

## **4. GRANT OF AREA DEVELOPMENT FRANCHISE**

### **4.1. Grant of Franchise**

We grant to you and you accept the exclusive right, during the term of this Agreement, to enter into franchise agreements to develop Restaurants in the Development Area on the terms and subject to the conditions stated below.

### **4.2. Development Schedule**

You agree to construct, equip, open, and thereafter continue to operate within the Development Area not less than the cumulative number of Restaurants stated in Attachment 2 to this Agreement within each of the Development Periods specified in

Attachment 2. If you cannot meet the Development Schedule solely as the result of an act of God, such as a strike, material shortage, fire, flood, or earthquake, or by force of law (including any legal disability of Farmer Boys to deliver an Offering Circular) which results in your inability to construct or operate Restaurants in the Territory and which you could not have avoided by the exercise of due diligence, the Development Periods will be extended by the amount of time during which the circumstances causing delay exist;

#### **4.3. Right to Exceed Development Schedule**

During the Term, you may, subject to the terms and conditions of this Agreement and the Franchise Agreements, construct, equip, open, and operate more Restaurants in the Development Area than required by the Development Schedule; and

#### **4.4. Exclusive Right to Development Area**

During the term of this Agreement, we may not operate or grant a franchise to any other person to operate a Restaurant or Restaurants within the Development Area.

#### **4.5. Term and Renewal**

##### **4.5.1. Term**

The term of this Agreement ("the Term") will begin on the Effective Date and, unless extended or sooner terminated in accordance with the provisions of this Agreement, will continue until the date on which the Development Schedule is to be completed; and

##### **4.5.2. Renewal**

You have no right to renew this agreement.

#### **4.6. Limited Additional Development Right**

Within (6) six months before the expiration of the Term, if we determine that further development of the Development Area is desirable, we will notify you in writing of our decision to develop additional Restaurants in the Development Area and a plan for development over a five-year term. Subject to the conditions described below, you have a right to undertake any additional development that we have stated in our notice to you. Your right of additional development may be exercised only in accordance with the following section. If you do not exercise the right of additional development, we or any franchisee franchised by us may construct, equip, open, and operate additional Restaurants in the Development Area.

#### **4.7. Exercise of Right of Additional Development**

At the time we deliver to you our written notice of our determination to undertake additional development in the Development Area, we will also deliver to you a copy of our Offering Circular and two copies of the then-current area development agreement. The new area development agreement, which may vary substantially from this Agreement, will reflect your new development obligation consistent with our plan for additional development stated in our notice to you. Within thirty (30) days after your receipt of the Offering Circular and

the new area development agreement, but no sooner than immediately after any Disclosure Periods have passed, you must sign two copies of the Area Development Agreement described in the Offering Circular and return them to us. If you have so signed and returned the copies and have satisfied the conditions stated in the following section, we will sign the copies and return one fully signed copy to you.

#### **4.8. Conditions to Exercise of Right of Additional Development**

Your right to additional development described above will be subject to your fulfillment in advance of the following conditions:

- (a) You must have fully performed all of your obligations under this Agreement and all other agreements between us and you.
- (b) You must have demonstrated to us your financial capacity to perform the additional development obligations stated in the new area development agreement. In determining if you are financially capable, we will apply the same criteria to you as it applies to new prospective area developers at that time.
- (c) At expiration of the Term, you continue to operate in the Development Area not less than the aggregate number of Restaurants required by the Development Schedule stated in Attachment 2.

### **5. PAYMENTS**

You will pay us in cash or another form of payment acceptable to us concurrently with the signing of this Agreement a Development Fee in the sum of twelve thousand five hundred dollars (\$12,500) multiplied by the number of Restaurants required to be opened during the Term in accordance with the Development Schedule. The Development Fee will be nonrefundable, but will be credited against your initial franchise fee, as described in each franchise agreement, at the rate of twelve thousand five hundred dollars (\$12,500) for each Restaurant opened under this Agreement, the total amount of the credits not to exceed the Development Fee.

### **6. SIGNING OF INDIVIDUAL FRANCHISE AGREEMENTS**

#### **6.1. Site Approval and Signing of Franchise Agreement**

After you have located a site for construction of a Restaurant, you will submit to us any information regarding the proposed site that we request, in the form that we from time to time require, together with the terms of any proposed lease or purchase agreement relating to the site. You must retain proof of delivery of your submission to us. We may seek such additional information as we consider necessary within thirty (30) days of submission of the prospective site approval request, and you must respond promptly to the request for additional information. If we do not approve the site in writing within thirty (30)



days, or within thirty (30) days after receipt of the additional information, whichever is later, the site will be considered disapproved. We may not unreasonably reject a proposed site.

Promptly after approval of any site, we will transmit to you an Offering Circular and two signature copies of the then-current franchise agreement. Immediately upon receipt of the Offering Circular, you must return to us a signed copy of the Acknowledgment of Receipt of the Offering Circular. After the passage of any applicable Disclosure Period, you may sign and deliver to us two copies of the franchise agreement and the Initial Fee required under the franchise agreement, less any applicable credit. We will, promptly upon receipt of the documents and Fee, sign and return to you one copy of the franchise agreement. You will then secure the site by purchase or lease and return one copy of the signed lease or, if purchased, the deed evidencing your right to occupy the approved site. You will then begin construction and operation of the Restaurant under the terms of the franchise agreement.

In spite of the foregoing, if we are not legally able to deliver an Offering Circular to you by reason of any lapse or expiration of its franchise registration, or because we are in the process of amending the registration, or for any reason beyond our reasonable control, we may delay approval of the site for your proposed Restaurant until such time as we are legally able to deliver an Offering Circular.

## **6.2. Condition To Franchisor's Obligations**

Our obligations under the preceding section are applicable only if you have performed fully your obligations under every agreement between you and us or our Related Parties.

## **7. ASSIGNMENT AND SUBFRANCHISING**

### **7.1. Assignment by Franchisor**

We have the right to assign this Agreement or any of our rights and privileges under this Agreement to any other person or entity without your consent. However, if the assignment requires the assignee to perform our functions, the assignee must expressly assume these obligations in writing.

### **7.2. No Subfranchising**

During the term of this Agreement and any extension or renewal of it, you may not offer, sell, or negotiate the sale of individual FARMER BOYS® Restaurants developed under this Agreement to any third party, either in your own name or in the name and on our behalf, or otherwise subfranchise, share, divide or partition the Development Area or the rights conveyed by this Agreement. Nothing in this Agreement will be construed as granting you the right to do so.^

### **7.3. Assignment by You**

#### **7.3.1. Reasons for Restrictions**

This Agreement has been entered into by us in reliance on and in return for the singular personal skill, qualifications, trust, and confidence it has in you, or, in the case of a corporate or partnership franchisee, its principal officers or general partners who will actively and substantially participate in the ownership and operation of the FARMER BOYS® Restaurant. Therefore, neither your interest in this Agreement nor any of its rights or privileges may be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner without our prior written consent and subject to our right of first refusal as described below. In spite of anything in this Agreement to the contrary, if of your death or legal incapacity, or, if you are a corporation, a stockholder owning ten percent (10%) or more of your capital stock or voting power, or if you are a general or limited partnership, a general or limited partner owning a ten percent (10%) or greater interest in the voting power, property, profits, or losses of the partnership, the transfer of your interest in this Agreement or the stockholder's or partner's stock or partnership, to his or her heirs, personal representatives or conservators, as applicable, requires our written consent, but will not give rise to our right of first refusal under this Agreement, although the right will apply to any proposed transfer or assignment by your heirs, personal representatives or conservators to a third party.

#### **7.3.2. Conditions to Consent**

Should we not elect to exercise our right of first refusal or should the right of first refusal be inapplicable, our consent to the assignment (but not to the partition, sharing or dividing of rights under this Agreement) may not be unreasonably withheld. However, we may impose any reasonable conditions to the granting of our consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to our consent to any assignment will be considered to be reasonable:

- (a) The assignee (or the principal officers, shareholders, directors, or general partners of the assignee in the case of a corporate or partnership assignee) demonstrates that it has the skills, qualifications, and economic resources necessary, in our judgment, reasonably exercised, to own and operate the Restaurants contemplated by this Agreement, and by all other agreements between us and the assignee, and all agreements proposed to be assigned to the assignee;
- (b) The assignee expressly assumes in writing for our benefit all your rights and obligations under this Agreement and all franchise agreements signed under this Agreement;
- (c) The assignee has completed our training program to our reasonable satisfaction;

- (d) As of the date of any such assignment, the assignor has fully complied with all of its obligations to us, whether under this Agreement or any other agreement with us;
- (e) The assignee, if then our franchisee, is not then in default of any of his or her obligations to us;
- (f) The assignee pays us a transfer fee of five thousand dollars (\$5,000) to cover our expenses relating to the assignment. However, we may waive a portion of the transfer fee if the assignment is to an existing franchisee.

#### 7.3.3. Involuntary Transfer

If you are a corporation or partnership, each of the following will be considered to be an assignment of this Agreement within the meaning of this Section: the death or legal incapacity of any shareholder owning ten percent (10%) or more of the capital stock or voting power; if you are a general or limited partnership, the withdrawal, death, or legal incapacity of a general partner or a limited partner owning ten percent (10%) or more of the voting power, property, profits or losses of the partnership, as the case may be, or the admission of any additional general partner or transfer by any general partner of its interest in the property, management, or profits and losses of the partnership; your issuance of any securities which itself or in combination with any other transaction results in the shareholders, partners, or members existing as of the effective date, as applicable, owning less than eighty percent (80%) of the outstanding shares or voting power of a corporate Area Developer, or of the voting power or interests in the property, profits or losses of a limited partnership; the transfer of a total of ten percent (10%) or more of your capital stock or voting power, by operation of law or otherwise; and any merger, stock redemption, consolidation, reorganization, or recapitalization to which you are a party.

#### 7.3.4. Security Interest

You will not have the right to give any third party a security interest in this Agreement in any manner whatsoever without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole subjective judgment.

### **7.4. Right of First Refusal**

Except as expressly provided to the contrary above, any assignment of this Agreement or any interest in this Agreement is subject to our right of first refusal. Our right of first refusal will be exercised in the following manner:

#### 7.4.1. Notice

You must deliver to us a written notice clearly and unambiguously setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee, including information concerning the employment history, financial condition, credit history, skill, and qualifications of the proposed assignee

and, in the case of a partnership or corporate assignee, of its partners and shareholders as applicable.

#### 7.4.2. Response

Within thirty (30) days after our receipt of the notice (or if we request additional information, within thirty (30) days after receipt of the additional information), we may either consent or withhold our consent to the assignment or, at our option, accept the assignment ourselves or for our nominee on the terms and conditions specified in the notice. We may substitute an equivalent sum of cash for any consideration other than cash specified in the notice.

#### 7.4.3. Revival of Right

If we elect not to exercise our right of first refusal and consent to the assignment, you will be free to assign this Agreement to the proposed assignee on the terms and conditions specified in the notice. If, however, we do not elect to exercise our right of first refusal and the terms are materially changed, or if more than ninety (90) days pass without the assignment occurring, the changed terms or lapse of time will be considered a new proposal and we will again have a right of first refusal.

### **7.5. Individual Franchise Agreements**

You may not sign any franchise agreement or develop any Restaurant with the preconceived intention of transferring or assigning the franchise agreement or Restaurant during the term of this Agreement or any extension or renewal of it.

### **7.6. No Consequential Damages For Legal Incapacity**

We will not be liable to you for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other expenses incurred by you by reason of any delay in the delivery of our Offering Circular caused by legal incapacity during the Term or other conduct not due to our gross negligence or wrongdoing.

## **8. NONCOMPETITION**

### **8.1. In Term**

During the term of this Agreement, neither you nor any officer, director, shareholder, general partner or limited partner of a corporate or partnership franchisee will either directly or indirectly own, operate, advise, be employed by, or have any interest in any fast casual Restaurant that features hamburgers, whether within or outside the Development Area, unless we consent to it in writing.

## **8.2. Post-Term**

During a one-year period after the expiration or termination of this Agreement, neither you, nor any officer, director, shareholder, general partner, or limited partner of a corporate or partnership franchisee, may, for any reason, either directly or indirectly own, operate, advise, be employed by, or have any interest in any fast casual Restaurant that features hamburgers within the Development Area without our prior written consent. In applying for the consent, you will have the burden of establishing that any activity by you will not involve the use of benefits provided under this Agreement or constitute unfair competition with us or our other franchisees.

## **8.3. Modification**

The parties have attempted in the preceding sections to limit your right to compete only to the extent necessary to protect us from unfair competition. The parties by this Agreement expressly agree that if you dispute the scope or validity of these provisions at any time, a court or arbitrator, as the case may be, may modify either or both of the provisions to the extent that it considers necessary to make the provisions enforceable under applicable law. In addition, we reserve the right to reduce the scope of either or both of the provisions without your consent at any time or times, effective immediately upon notice to you.

# **9. TERMINATION**

## **9.1. Material Breach of This Agreement**

This Agreement may be terminated by us for cause without notice or opportunity to cure, except for any notice that is required by law, if you commit a material breach of this Agreement. "Material breach," as used in this Agreement, specifically includes, among other things, the following:

- (a) Any attempt by you to transfer or encumber, in whole or in part, any or all rights and obligations under this Agreement in violation of the terms of this Agreement or without the written consents required.
- (b) Your failure to meet the Development Schedule within the Development Periods stated in this Agreement.

## **9.2. Material Breach of Another Agreement**

This Agreement may be terminated, at our election, if an individual franchise agreement or any other agreement between us and you is terminated because of your material breach of the franchise agreement or other agreement.

### **9.3. Effect of Termination**

Upon the expiration of the Term, or upon the prior termination of this Agreement, you will have no further right to construct, equip, own, open, or operate additional Restaurants which are not, at the time of the termination or expiration, the subject of a currently effective franchise agreement between you and us and we may ourselves construct, own, or operate, or license others to construct, own or operate Restaurants in the Development Area.

### **10. CORPORATION OR PARTNERSHIP**

If you are a corporation or partnership:

- (a) Stated below are the name and home address of each of your shareholders or partners:

<u>NAME</u>	<u>NUMBER OF SHARES OR PERCENT OWNED</u>	<u>ADDRESS</u>
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- (b) The address where your financial and legal records are maintained is:

\_\_\_\_\_  
[address].

- (c) Stated below are the names and addresses and titles of your principal officers or partners who will be devoting their full time to your business:

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
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- (d) You must notify Farmer Boys in writing within ten (10) days of any change in the information stated in this section of the Agreement.

- (e) You must promptly provide any additional information that Farmer Boys may from time to time request concerning all people who have any direct or indirect financial interest in you.

## **11. MISCELLANEOUS PROVISIONS**

### **11.1. Construction of Contract**

Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained in any section of this Agreement. Each word in this Agreement will be considered to include any number or gender that the context requires. If there is any conflict between this Agreement and the Manual, this Agreement will control.

### **11.2. Governing Law**

This Agreement is made in the State of California and its provisions will be governed by and interpreted under the laws of that State, with the following exceptions: (a) provisions of the Franchise Investment Law will not apply unless they would be applicable without this Agreement's designation of governing law (b) the arbitration clause is exclusively governed by and should be construed in accordance with the Federal Arbitration Act and (c) trademark rights will be governed by and construed in accordance with the Lanham Act.

### **11.3. Notices**

The parties to this agreement should direct any notices to the other party at the address below that party's name on the final page of this Agreement or at another address if advised in writing that the address has been changed. Notice may be delivered by facsimile (with simultaneous posting of a copy by first class mail), courier, or first class mail. Notice by facsimile will be considered delivered upon transmission; by courier, upon delivery; and by first class mail, three days after posting. Receipted mail must be used for any notice of termination.

### **11.4. Amendments**

This Agreement may be amended only by a document signed by all of the parties to this Agreement or by their authorized agents.

### **11.5. Waiver**

Waiver of any breach of this Agreement will not be interpreted as a waiver of any subsequent breach.

## **11.6. Integration**

This Agreement, any exhibits or attachment to it, and the Uniform Franchise Offering Circular that has been provided to you constitute the entire agreement between the parties concerning the franchise granted under this Agreement. All other agreements and representations are superseded by it.

## **11.7. Negotiation and Mediation**

### **11.7.1. Agreement to Use Procedure**

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. They agree that, if any dispute arises between them, before beginning any legal action to interpret or enforce this Agreement, they will first follow the procedures described in this section. Good-faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action or arbitration to interpret or enforce this Agreement.

### **11.7.2. Initiation of Procedures**

The party that initiates these procedures ("Initiating Party") must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party's claim for relief, and identifying one or more people with authority to settle the dispute for him, her, or it. The party receiving the notice ("Responding Party") has ten (10) days within which to designate by written notice to the Initiating Party one or more people with authority to settle the dispute on the Responding Party's behalf. These people are called the "Authorized People."

### **11.7.3. Direct Negotiations**

The Authorized People may investigate the dispute as they consider appropriate, but agree to meet in person, by prearranged teleconference, or by video conference within fourteen (14) days from the date of the Initiating Party's written notice to discuss resolution of the dispute. The Authorized People may meet at any times and places and as often as they agree.

### **11.7.4. Mediation**

If the Dispute has not been resolved within thirty (30) days after the initial meeting, either party may begin mediation procedures. Mediation will be conducted by and under the rules of the American Arbitration Association ("AAA"). The parties will share equally the costs of mediation.



### **11.8. Arbitration**

Any dispute arising out of or in connection with this Agreement, if not resolved by the negotiation and mediation procedures described above, must be determined in Riverside, California by the AAA. This arbitration clause will not deprive either party of any right it may otherwise have to seek provisional injunctive relief from a court of competent jurisdiction. The arbitrator must be an attorney with substantial experience in franchise law. The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness to minimize the time and expense of arbitration. If proper notice of any hearing has been given, the arbitrator will have full power to proceed to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear. Both parties waive any rights they may have to seek punitive damages from one another. The arbitrator will have no power to 1) stay the effectiveness of any pending Termination of franchise; 2) assess punitive damages against either party; or 3) make any award that modifies or suspends any lawful provision of this Agreement. All expenses of arbitration must be paid by the party against which the arbitrators render a decision. Judgment on any award may be entered by any court of competent jurisdiction.

### **11.9. Injunctive Remedy for Breach**

You recognize that you are a member of a Franchise Network and that your acts and omissions may have a positive or negative effect on the success of other Restaurants operating under our Trade Name and in substantial association with our Marks. Failure on the part of a single franchisee to comply with the terms of its franchise agreement is likely to cause irreparable damage to us and to some or all of our other franchisees. For this reason, you agree that if we can demonstrate to a court of competent jurisdiction that it is likely that you will breach any of the material terms of this Agreement, we will be entitled to an injunction restraining the breach or to a decree of specific performance or both without showing or proving any actual damage, until a final determination is made by an arbitrator.

### **11.10. Limitation of Actions**

Neither party may maintain an action or arbitration proceeding against the other party unless (a) the party delivers written notice of any claim to the other party within one hundred eighty (180) days after the event complained of becomes known to the party; (b) thereafter follows the negotiation and mediation procedures described above; and (c) files an arbitration within one (1) year after the notice.

### **11.11. Severability**

Each provision of this Agreement will be considered severable. If, for any reason, any provision of it is determined to be invalid or in conflict with any existing or future law or regulation, that provision will not impair the operation of the remaining provisions of this Agreement. The invalid provisions will be considered not to be a part of this Agreement. However, if we determine that the finding of illegality adversely affects the basic

consideration for its performance under this agreement, we may, at our option, terminate it.

#### **11.12. Approval and Guaranties**

If you are a corporation, all officers and shareholders with a ten percent (10%) or greater interest or, if you are a partnership, all general partners or, if you are a limited liability company, all members with a ten percent (10%) or greater interest must permit you to furnish the financial information required by us and agree to the restrictions placed on them, including restrictions on the transferability of their interests in the franchise and FARMER BOYS® Restaurants and limitations on their rights to compete, and sign separately written guaranties of your payments and performance in the form required by us.

#### **11.13. Acceptance By Farmer Boys**

This Agreement will not be binding on Farmer Boys unless and until it has been signed by an authorized officer of Farmer Boys.

#### **11.14. Disclaimer of Representations**

NO REPRESENTATIONS OR PROMISES OF ANY KIND HAVE BEEN MADE BY FARMER BOYS TO INDUCE YOU TO SIGN THIS AGREEMENT EXCEPT THOSE SPECIFICALLY STATED IN THE FRANCHISE DISCLOSURE DOCUMENTS THAT HAVE BEEN DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PERSON HAS GUARANTEED THAT YOU WILL SUCCEED IN THE OPERATION OF THE FARMER BOYS® RESTAURANTS OR HAS PROVIDED ANY SALES OR INCOME PROJECTIONS OF ANY KIND TO YOU EXCEPT FOR THE INFORMATION INCLUDED IN THIS OFFERING CIRCULAR. YOU HAVE MADE AN INDEPENDENT INVESTIGATION OF ALL IMPORTANT ASPECTS OF THE FARMER BOYS® RESTAURANTS. YOU UNDERSTAND THAT WE ARE NOT A FIDUCIARY AND HAS NO SPECIAL RESPONSIBILITIES BEYOND THE NORMAL RESPONSIBILITIES OF A SELLER IN A BUSINESS TRANSACTION.

\*\*REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK\*\*

IN WITNESS TO THE PROVISIONS OF THIS AGREEMENT, the undersigned  
have signed it on ^ \_\_\_\_\_ [date].

FRANCHISOR  
FARMER BOYS FOOD, INC.

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

Demetris Havadjias, ^CEO

3452 University Avenue  
Riverside, CA 92501

*Sign here if Developer is an individual:*

DEVELOPER

*Signature:*

\_\_\_\_\_

*Print Name:*

\_\_\_\_\_

*Print Address:*

\_\_\_\_\_

\_\_\_\_\_

*Sign here if Developer is a company:*

DEVELOPER

*Print Company Name:*

\_\_\_\_\_

*Signature:*

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

*Print Name:*

\_\_\_\_\_

*Print Title:*

\_\_\_\_\_

*Print Address:*

\_\_\_\_\_

\_\_\_\_\_

# DEVELOPMENT AREA

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## ATTACHMENT 1

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Development Area  
April 24, 2006

# DEVELOPMENT SCHEDULE

	<u>LEASES SIGNED</u>	<u>RESTAURANTS OPEN</u>
Year 1 ^	_____	_____
<u>Year 2</u>	_____	_____
<u>Year 3</u>	_____	_____
<u>Year 4</u>	_____	_____
<u>Year 5</u>	_____	_____
<u>Year 6</u>	_____	_____
<u>Year 7</u>	_____	_____
<u>Year 8</u>	_____	_____
<u>Year 9</u>	_____	_____
<u>Year 10</u>	_____	_____

The term of the Development Agreement is \_\_\_\_\_ years.

## ATTACHMENT 2