

Delivered by _____
Date _____

OPERATOR AGREEMENT

This Operator Agreement is made as of _____, 200__, between GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC"), GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL") and _____ ("Operator") whose address is _____.

1. PREMISES

GGFL leases to Operator the premises known as Original Hamburger Stand #____, located at _____, in the City of _____, State of _____, together with the furniture, furnishings, fixtures, equipment and small wares at the restaurant used in the operation of the business (collectively the "Premises"). Operator acknowledges receipt of the Premises in good and safe repair and condition.

2. TERM

The term of this Operator Agreement shall be month-to-month starting _____, 200__, and continuing through the last day of the calendar month. Thereafter, the term shall be month-to-month starting on the first day and ending on the last day of each calendar month, until terminated by written notice.

3. TERMINATION

GGFC or GGFL may terminate this Agreement by giving Operator written notice of termination at least seven (7) days before the expiration of any month-to-month term. Operator may terminate this Agreement by giving GGFL written notice of termination at least thirty (30) days before the expiration of any month-to-month term. Nothing in this Section 3 limits or restricts GGFC and GGFL from terminating Operator's rights by reason of any other provisions of this Agreement.

4. RENT

A. As rent for the Premises, Operator shall pay GGFL each month the rent stated in Exhibit "A" (the "Rent"). Rent is due and payable at GGFL's office and shall be paid without notice or demand and without abatement, deduction, or set off, in lawful money of the United States.

B. The Rent stated in Exhibit "A" may from time to time be adjusted by GGFL as provided below.

C. Once each calendar year, GGFL will calculate weekly rent payments required to pay the Rent due pursuant to Sections 4(B) and 4(L), based on the prior twelve (12) months actual Rent paid. GGFL shall provide Operator at least thirty (30) days written notice of any change in weekly Rent payments. On the effective date stated in the written notice of change, Operator shall start paying weekly Rent at the increased or decreased rate.

D. As additional rent, payable at the start of the term of this Agreement, Operator shall pay GGFL the actual costs incurred by GGFL in changing the safe combination and exterior door locks for the Premises. If Operator has changed leased premises at GGFL's request, then GGFL will pay the cost of the lock and safe changes.

E. Rent shall not be reduced by cost of food discounts, premiums or other costs incurred by Operator in performing the obligations in this Agreement.

F. Provided Operator provides proof of payment or other documents satisfactory to GGFL, Operator's rent obligation for a particular month shall be credited by the following amounts:

(1) Reasonable cost for ice purchased by Operator due to ice machine breakdown not caused by Operator neglect.

(2) Cost of food donations to bona fide charitable organizations made with prior written approval of GGFL's Vice President of Operations.

(3) One thousand dollars (\$1,000.00) for a new Operator who was referred to GGFL by Operator, successfully completed all required training, and completed one (1) year as an Operator following completion of training.

G. GGFL may adjust these credits or discontinue providing all or part of them at any time, effective thirty (30) days after providing Operator written notice.

H. For this Agreement, the term "net sales" means the gross amount received by Operator from all sales and all other sources of income derived from the business and activity conducted at the Premises and catering originating from the Premises, less sales taxes received, separately identified and actually paid to the proper governmental authority or, in the case of sales taxes, paid to GGFL for payment to the governmental authority.

I. Operator shall pay rent in the following amounts:

<u>Month</u>	<u>Weekly Payment</u>	<u>Month</u>	<u>Weekly Payment</u>
January	\$ _____	July	\$ _____
February	\$ _____	August	\$ _____
March	\$ _____	September	\$ _____
April	\$ _____	October	\$ _____
May	\$ _____	November	\$ _____
June	\$ _____	December	\$ _____

J. Operator shall pay the weekly payments at GGFL's office on each of the last four (4) Mondays each month. GGFL will credit amounts paid against Operator's monthly rent obligations. Operator shall pay any rent balance due in excess of the weekly payments within seven (7) days after the end of the calendar month.

K. Each payment under Section 4(J) shall be accompanied by the state sales tax on sales from the Premises. GGFL shall administer sales tax payments as stated in Section 17. GGFL shall have the right to instruct Operator, and Operator shall comply with any instruction from GGFL, to pay the sales tax direct to the taxing authority.

L. If weekly rent payments exceed rent due for a month, then GGFL shall apply any excess in the following order:

- (1) State sales tax;
- (2) Any other sums due to GGFL, whether under this Agreement or otherwise;
- (3) Next weekly rent payment(s).

M. To assist GGFL in calculating rent due pursuant to Exhibit "A", Operator shall provide GGFL within three (3) days after the end of the calendar month, the sales mix of all food items sold during that calendar month; list prices paid for and amount of cash, volume, or other discounts given Operator by the supplier of food and paper products; copies of supplier invoices showing quantities and prices charged for delivery; and an inventory of stock-on-hand at the start and end of that calendar month. GGFL will thereafter provide Operator a written credit or debit memo.

N. A credit memo reduces and a debit memo increases Operator's rent for the prior calendar month. GGFL shall apply the amount of a credit memo first to any outstanding month-end statement balance and then to Operator's next weekly installment(s) of rent. The amount of a debit memo shall be added by Operator to the next weekly payment of rent due or the rent balance in excess of rent payments. Failure to include the amount with the next rent payment shall be a default in payment of rent as stated in Section 14.

O. Rent will be reduced if the simulated food and paper cost percentage is greater than _____ percent (____%). Rent will be increased if the simulated food and paper cost percentage is less than _____ percent (____%). The amount of reduction or increase is the result when net sales for the applicable calendar month is multiplied by the difference between _____ percent (____%) (the "food cost allowance factor") and the simulated food and paper cost percentage. [net sales x (difference between food cost allowance factor and simulated food and paper cost percentage)]. Amounts may be pro-rated, as determined by GGFL for any partial calendar month.

P. The simulated food and paper cost percentage and "food cost allowance factor" shall be determined by GGFL in its sole discretion. GGFL shall provide Operator at least thirty (30) days written notice of changes in these amounts.

Q. On the effective date specified in a written notice of change, the "food cost allowance factor" shall be increased or decreased as specified by GGFL. On the effective date of a change, the monthly average sales percentage rental (originally stated in Exhibit "A") then in effect shall be increased or decreased by the same amount and each weekly rental installment payable on the last four (4) Mondays of each month as stated in Section 4(I) shall increase or decrease accordingly. For example, if the average sales percentage rental is thirty-five percent (35%) and the "food cost allowance factor" decreases by four percent (4%), then the new average sales percentage rental will be thirty-nine percent (39%) and the increased sales percentage rental will be thirty-five percent (35%).

R. Time is of the essence of Operator's obligation to provide information required by Section 4(M) and elsewhere in this Agreement. In addition to all other rights and remedies for a breach by Operator, Operator's failure to timely provide information shall also relieve GGFL's obligation to provide a credit memo reducing the rental on account of the relationship between cost of food and paper and retail sales price of products sold. GGFL shall still have the right to issue a debit memo increasing the rental. GGFL may rely on any available information and may make estimates in making determinations for a debit memo.

S. Rent adjustments pursuant to Sections 4(M) – (Q) are deemed to occur pursuant to this Agreement, and do not constitute modifications of this Agreement.

T. All taxes, charges, costs, and expenses that Operator is required to pay under this Agreement, together with all interest and penalties for Operator's failure to pay those amounts, and all damages, costs and expenses which GGFL may incur due to any default of Operator or failure of Operator to comply with this Agreement shall be deemed additional rent. In the event of non-payment by Operator, GGFL shall have all the rights and remedies as GGFL has for non-payment of basic rent.

U. Operator shall pay all rent or other sums to GGFL in the form of cash, datalink or cashier's check, bank drafts approved by GGFL, or certified check.

5. SECURITY DEPOSIT

A. On signing this Agreement, Operator shall deposit with GGFL _____ dollars (\$ _____). Operator shall provide the deposit in cash or, at GGFL's option, pursuant to a promissory note in the form of Exhibit "D", providing for installments of at least three hundred dollars (300) per month. Whenever weekly rent increases, Operator shall increase the deposit by an amount equal to one (1) week's rent. If Operator is obligated to GGFL on an existing promissory note, the, at GGFL's option the deposit may be increased by extending the terms of the existing promissory note. In no event shall the required deposit ever be less than three thousand dollars (\$3,000).

B. The deposit is security in favor of GGFL for Operator's full performance of this Agreement, and payment of all amounts due GGFL, however incurred, and to any other person in any manner arising out of this Agreement, occupancy of the Premises, and operation of the Original Hamburger Stand business. GGFL shall have the right to use the deposited funds for GGFL's operations and to co-mingle the deposit with other funds. The security deposit shall not earn interest.

C. GGFL may from time to time apply all or part of said deposit to the payment of any indebtedness. On GGFL's demand, Operator shall deposit with GGFL additional sums to equal amounts applied. On termination of this Agreement, Operator shall furnish GGFL with releases and other proof satisfactory to GGFL that all debts and liabilities of Operator have been paid or fully provided for. After receipt of that proof, GGFL shall return to Operator any unapplied balance of the deposit. Until then GGFL has no obligation to return any of the deposit to Operator.

6. SERVICES BY GGFC

A. GGFC shall provide the following services to Operator:

(1) Endeavor to acquaint and train Operator in the methods of operating an Original Hamburger Stand restaurant.

(2) Loan Operator an Operations Manual.

B. Operator acknowledges and agrees that the Manual, together with any revisions and supplements, is GGFC's property. Operator shall return the Manual to GGFC within seven (7) days after any request from GGFC. If Operator fails to return the Manual in this time, then in addition to GGFC's other remedies Operator shall pay GGFC the reasonable cost of the Manual which is agreed to be one hundred dollars (\$100).

C. Operator acknowledges that changes may occur in consumer preferences, technology, competitive circumstances and other factors affecting the Original Hamburger Stand System. GGFC shall have the right to modify any and all aspects of food preparation, menus, service, techniques, procedures and all other matters from time to time by revisions or other supplements to the Manual, or otherwise. Operator shall promptly comply with modifications on written notice from GGFC. Modifications of the Manual are deemed to occur pursuant to the exercise of GGFC's rights in this

Agreement and are not modifications of this Agreement. Operator shall keep the loaned copy of the Manual up to date by immediately inserting all revisions and supplements provided by GGFC. If Operator fails to do so, then in addition to GGFC's other remedies Operator shall pay GGFC a charge for revising and supplementing the Manual in the amount of fifty dollars (\$50).

D. Operator shall not provide access to the Manual to anyone other than those personnel of Operator who need to review portions of the Manual to perform their jobs; and Operator shall permit them to have access only to the portions of the Manual that they need to review. Operator shall not reproduce or allow anyone to reproduce any portion of the Manual without GGFC's prior written consent.

E. Operator shall keep the loaned copy of the Manual on the Premises at all times, until Operator returns the Manual to GGFC.

7. SERVICES BY GGFL

A. GGFL shall perform, at its expense, major building repairs and equipment maintenance. However, Operator shall be responsible at Operator's expense, to make all repairs and pay the costs of major maintenance caused entirely or partially by negligence of Operator, its employees or agents.

Operator shall perform all minor maintenance and purchase the items including, but not limited to, those described on Exhibits "B" and "C". If Operator fails to perform this maintenance within three (3) days after written notice of failure from GGFL's representative, then GGFL may perform the maintenance at Operator's expense, and the costs shall be paid by Operator to GGFL within fifteen (15) days after receipt of an invoice.

B. GGFL shall provide insurance in amounts and subject to terms stated in a policy agreement which GGFL will make available for Operator's inspection on Operator's written request. This obligation and the insurance to be provided, are not any form of assurance by GGFC of payment of any loss claimed by Operator.

Operator shall have the right at Operator's own expense, to maintain other additional insurance. Operator shall cause all insurance policies obtained by Operator to name GGFC and GGFL as co-insureds. At GGFL's request Operator shall also name as additional insureds any other lessor, owner or mortgagee of the Premises.

C. GGFL shall have the option to pay gas, water and electricity charges attributable to the Premises or to require Operator to pay those charges directly. Operator shall pay all other utility charges. Operator shall participate in and comply with utility management programs that GGFL specifies from time to time. GGFL shall pay all real and personal property taxes for the Premises and the costs to maintain landscaping at the Premises.

D. GGFL shall provide continuing assistance that GGFL considers beneficial to assist Operator in the operation of the business at the Premises including, but not limited to, periodically visiting the Premises to evaluate the operation and recommend improvements and corrections of deficiencies. Operator shall implement and comply with GGFL's recommendations.

E. From time to time GGFL shall conduct training seminars and meetings for continued training in the operational aspects of the Original Hamburger Stand restaurant; and maintain a school available for training Operator or Operator's employees as GGFL considers appropriate. Operator shall attend and successfully complete all training and meetings that GGFL requests at times and locations that GGFL designates, and shall pay GGFL's then current charges for training and meetings.

F. GGFL shall from time to time evaluate and test food and beverage items for possible use in the Original Hamburger Stand system and evaluate and test new operation methods for serving existing or new food, beverage and supply items.

G. At Operator's written request GGFL shall furnish Operator with the then current standards and specifications for equipment, supplies, trademarked paper goods or other products required by GGFL to be used in operating the Premises; and at Operator's written request, names and addresses of manufacturers and suppliers currently approved by GGFL from whom those items may be available for sale to Operator.

H. From time to time GGFL shall provide statistical services to Operator including sales mix, sales analysis and comparison of sales with prior periods.

I. GGFL shall formulate and implement marketing plans including supervising preparation of advertising and promotion materials and providing layouts, window cards and other materials for use by Operator for local promotions. GGFL shall also provide assistance in assessing promotion media and shall review, evaluate, and select premium items for use in the business.

Operator shall participate in and support all marketing programs developed by GGFL including, but not limited to, purchasing and distributing premiums, purchasing and installing banners, and honoring coupons. Costs for all items to be purchased by Operator shall be paid by Operator to GGFL, or other applicable vendor(s), within fifteen (15) days after receipt of invoice.

J. Provided Operator participates fully in all marketing programs and provides all information that GGFL requests, GGFL will calculate a "simulated promotional discount allowance percentage". Based on this percentage a credit memo will be issued to Operator at the same time as the Credit or Debit memo described in Section 4(M) is issued. This credit memo will be subject to the terms of Section 4(Q).

K. GGFL shall pay the membership fees of Operator in the local Original Hamburger Stand advertising association. Operator shall have no right to vote in the association.

8. RECORDS

A. Operator shall record all sales and charges for goods or services by cash register tape; record and tabulate total sales from cash register tapes each day; and keep a full and complete set of books and accounts from which gross sales derived from the business may be accurately determined. Operator shall provide these books, accounts, and cash register tapes, together with all statements filed

with any government authority disclosing Operator's sales, gross sales, or income from the Premises, and all other books and records for inspection by GGFL representatives at any and all times as GGFL requests. Acceptance by GGFL of payment as rental or otherwise shall not be conclusive or binding on GGFL with regard to accuracy of the amount of payment by Operator.

B. In maintaining records and furnishing information to be supplied to GGFL pursuant to this Agreement, Operator shall use forms supplied or approved by GGFL and shall supply such information as and when requested by GGFL.

C. Operator shall conduct business on the basis of a calendar year divided into twelve (12) accounting periods of one (1) calendar month each. Within fifteen (15) days after the end of each calendar month or on termination of this Agreement, Operator shall provide GGFL a financial statement of the calendar month or portion ending with termination of this Agreement, including a profit and loss statement, statement of gross sales, and balance sheet as of the close of the period. The statement shall be prepared by a certified public accountant or accountant satisfactory to GGFL.

9. USE

A. Operator shall conduct an Original Hamburger Stand restaurant business on the Premises and no other business shall be permitted without GGFL's prior written consent.

B. GGFC grants Operator a non-exclusive, non-transferable and personal license to use the Original Hamburger Stand system, trade name, and trademark in operating the Premises for the period and on the terms in this Agreement.

C. Operator shall operate the Premises in strict conformity with the Original Hamburger Stand Operations Manual and supplements which that GGFL furnishes to Operator from time to time.

D. Operator shall serve all menu items specified by GGFL for Original Hamburger Stand restaurants. Operator shall assure that all items are manufactured, processed, precooked, prepared, decorated and served strictly according to the specifications and directions of GGFL. Operator shall not permit service of any food or beverage other than menu items specified by GGFL. Operator shall use in dispensing and sale of products only containers, cartons, sacks, napkins, flavorings, sauces, and garnishments that comply with specifications, selection, variety, proportion, appearance, quality, coloring, flavor, and other ingredients and characteristics stated in the Operations Manual or as GGFL prescribes from time to time in its sole discretion.

E. Operator shall sell all additional menu food products that GGFL directs from time to time, subject to the condition that GGFL provides Operator the equipment needed to prepare the additional menu food products at no material cost to Operator. Operator shall pay the cost of food, labor, utilities and other similar costs pertaining to these products.

F. Operator shall make payments on all invoices and statements for purchases of supplies promptly in accordance with the terms of purchase. Operator shall promptly pay when due and before delinquency, all wages, taxes, tax deposits, insurance premiums, charges for utilities, and other services,

rent and all other obligations incurred by Operator operating the Premises. Operator shall indemnify and defend GGFL and hold GGFL harmless from all these obligations.

G. Operator shall acquire from GGFL or sources approved by GGFL in writing, the supplies, materials, equipment and other items specified in the Operations Manual which, GGFC and GGFL consider essential to preserve the good reputation of GGFC's trade name and trademarks and to provide a consistent quality and uniformity of products in the Original Hamburger Stand system.

H. Operator shall have the right to purchase directly from any source approved in writing by GGFL, the equipment, paper goods and other products required by GGFL to be used in establishing or operating Operator's business.

I. If Operator wants to purchase required products from a manufacturer or supplier not then approved by GGFL, Operator shall cause the proposed manufacturer or supplier to provide GGFL with all information regarding the manufacturer or supplier that GGFL requests and, if GGFL requests, samples of products that Operator desires to purchase. GGFL may conduct or arrange for tests and other procedures to assess product quality, sufficiency of the manufacturer or supplier's capacity and facilities to supply Operator's needs in quantities, at times, and with reliability needed for efficient operation, and assessment of any other characteristics that GGFL considers relevant. GGFL shall notify the manufacturer or supplier whether or not GGFL approves the manufacturer or supplier as a source of supply of the product involved to Operator and of the basis for any decision to decline approval, except that this Section 8(I) shall not require GGFL to disclose any information GGFL considers confidential or proprietary.

J. Operator acknowledges that quality control of products used or sold in the Original Hamburger Stand system is important to protect the reputation of GGFC's trade name and trademarks and that Sections 9(G) through 9(I), pertaining to approval of products and suppliers, are reasonable to assist GGFC in quality control.

K. Operator shall maintain the Premises in a neat, clean and sanitary condition. Operator shall assure that janitorial services are performed daily according to standards in the Operations Manual.

L. Operator shall comply with all federal, state and local laws, ordinances, regulations, orders, licenses and permits relating to the Premises and the use of, activity at and operation of the business at the Premises. Operator shall maintain all utility and other accounts in Operator's name. Operator shall pay all charges incident to use of the Premises or the business conducted there, except any which GGFL expressly agrees in writing to pay. Operator's obligations thus include, but are not limited to charges for licenses, permits, occupation taxes and fees, phone, sewage, trash, garbage collection and other utility charges, and taxes on Operator's property at the Premises. If GGFL elects to pay any charges that Operator fails to pay, then without excusing this material breach, and in addition to GGFL's other rights and remedies, Operator shall be obligated to repay GGFL and that obligation shall be deemed to be additional rent.

M. GGFL shall have the right to inspect the Premises and Operator's operation at all reasonable times to assess Operator's compliance with this Agreement.

N. Operator shall at all times maintain a capital account as disclosed in the balance sheet described in Section 8(C), in an amount not less than the security deposit described in Section 5.

10. CONTINUOUS OPERATION AND USE OF BEST EFFORTS

Operator shall continuously operate the restaurant at the Premises daily and during hours each day that GGFL specifies from time to time. Operator shall use Operator's best efforts, skills and diligence to conduct the business. Operator shall maintain sufficient supplies of foods, beverages and other restaurant products and supplies and employ sufficient personnel to operate the restaurant at maximum capacity and maximum efficiency. Operator and all personnel shall be clean, neatly groomed, dressed in clean uniforms satisfying color and design that GGFL provides from time to time, provide competent, sober and courteous service to the public, according to policies established by GGFL. Operator shall not permit any vending machine, sign, advertising devices or display at the Premises except as specifically authorized by GGFL. Operator shall not permit any intoxicating beverage, drug or illegal substance of any kind to be located, kept, consumed, sold or dispensed on or from the Premises at any time. Operator shall personally devote at least forty (40) hours per week to operation of the restaurant.

11. ALTERATIONS, REPAIRS, REPLACEMENTS

A. Operator shall not make any attachment or addition to or any structural alteration of any building on the Premises without GGFL's prior written consent.

B. Operator shall maintain the business, facilities, fixtures, equipment and parking area in clean and neat condition and in compliance with the Operations Manual. At the expiration or termination of this Agreement Operator shall deliver the Premises to GGFL in good condition, reasonable wear and tear excepted. Any costs incurred by GGFL to repair or replace the Premises or fixtures shall be paid by Operator to GGFL at termination, or expiration, or as soon afterward as the amount is determined by GGFL.

C. If the Premises are rendered unfit for occupancy or use by fire or other casualty, however caused, GGFL shall have the options whether to repair, replace or restore the Premises or not. If GGFL elects not to do any of these, then this Agreement shall terminate and any insurance proceeds shall be paid and belong to GGFL. There shall be no rental abatement during any period of restoration or repair.

D. GGFL shall have the right to enter the Premises at any times to inspect and to make repairs, replacements, and additions.

12. RISK MANAGEMENT PROVISIONS

A. Operator shall indemnify, defend and hold GGFC, GGFL and their respective shareholders, members, directors, managers, officers, employees and agents, and the Premises free and harmless of and from any and all claims, suits, losses, costs and liabilities on account of injury to or death of persons, damage to property and liens on the Premises, and statutory claims, caused by or happening on or in connection with the Premises, also including adjacent sidewalks and driveways, or the condition,

maintenance, possession or use of the Premises, or in any manner arising out of or in connection with any sale, business, act or omission of Operator or Operator's employees and agents on, from or in connection with the Premises or in connection with Operator's business. All losses, settlements and/or judgments suffered by Operator, GGFC, GGFL, or third parties resulting from, or related to, occupancy of the Premises, or any rights granted to Operator by this Agreement, shall be Operator's responsibility.

B. Operator shall maintain at Operator's own expense, worker's compensation and employer's liability insurance in accordance with the laws of the state where the Premises are located. If Operator fails to provide GGFL with proof of this insurance, then without excusing this material breach or relieving any of Operator's obligations to provide this insurance, GGFL may obtain this insurance at Operator's cost. The cost shall be deemed to be additional rental payable by Operator to GGFL within ten (10) days after written notice to Operator.

13. ASSIGNMENT AND SUBLEASING

Operator shall have no right or power to and shall not purport to assign or mortgage this Agreement or sublease or permit any other person or entity to occupy or use all or any part of the Premises without GGFC's or GGFL's prior written consent.

14. DEFAULTS AND REMEDIES

A. The occurrence of any one or more of the following events shall constitute a default by Operator:

- (1) Operator's abandonment of the Premises;
- (2) Operator's failure to make any payment of rent or additional rent provided for in this Agreement, as and when due;
- (3) Operator's failure to observe or perform any express or implied covenants or provisions of this Agreement, where the failure continues for five (5) days after written notice from GGFL to Operator. Where applicable, any notice under this Section 14(A)(3) shall be in lieu of, and not in addition to, any notice required by California Code of Civil Procedure Section 1161.
- (4) Falsification of any records or reports to be given GGFL by Operator;
- (5) (a) Making by Operator of a general assignment for the benefit of creditors; (b) filing by or against Operator of a petition to have Operator adjudged a bankrupt or relating to bankruptcy; (c) any appointment, regardless of duration, of a trustee, receiver, or keeper to take possession of substantially all Operator's assets at the Premises or of Operator's interest in this Agreement; or (d) attachment, execution, or seizure, judicial or otherwise, of substantially all Operator's assets at the Premises or of Operator's interest in this Agreement.

B. If GGFC and GGFL elect to terminate this Agreement due to a breach or default by Operator, GGFC, GGFL and Operator agree that it is and would be impracticable and extremely difficult

to determine precisely the actual damages suffered by GGFC and GGFL. Therefore, the parties agree to the sum of Five thousand dollars (\$5,000) as liquidated damages which Operator shall pay jointly to GGFL and GGFC in the event of termination for breach or default. The parties acknowledge that this amount is a reasonable presumption of the amount of damages which GGFC and GGFL from the termination. This liquidated damages amount shall be in addition to the holdover amounts described in Section 18 of this Agreement and in addition to any rent due to GGFL under this Agreement.

C. In the event of default by Operator, GGFC and GGFL shall also have the right, with or without terminating this Agreement, to re-enter and remove all persons and property from the Premises. The property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Operator. No re-entry or taking possession of the Premises by GGFC and GGFL pursuant to this Section 14(C) shall be construed as an election to terminate this Agreement unless a written notice of this intention is given to Operator or unless termination is decreed by a court of competent jurisdiction. Operator shall cooperate with and avoid hindrance of any re-entry. Operator shall not claim, and GGFC and GGFL and their personnel shall not be liable for trespass, forcible entry, forcible detainer or any form of damages for or as part of any re-entry.

D. In addition to other remedies available to GGFC and GGFL, they shall be entitled to enjoin any breach by Operator of any provision in this Agreement. In the event of a breach or threatened breach, GGFC and GGFL shall have all other rights and remedies allowed at law or equity or by statute or otherwise as if re-entry, summary proceedings, and other remedies were not provided for elsewhere in this Agreement. It is the intent of the parties that all GGFC's and GGFL's rights and remedies be cumulative to and not in lieu of each other available right and remedy.

E. GGFC or GGFL's failure to insist on strict performance of any provision of this Agreement does not waive any right or remedies GGFC or GGFL may have, and does not waive any subsequent breach of that provision. GGFC or GGFL's exercise of any right or remedy does not waive any other right or remedy. All rights or remedies may be exercised independently or cumulatively as GGFC, GGFL or both elect.

F. GGFL's acceptance of rent does not waive any prior breach by Operator, regardless of GGFL's knowledge of the breach at the time of accepting the rent.

G. In addition to the right of possession of the Premises with or without process of law, and all other remedies for default or on any other ground provided by law, GGFC and GGFL shall be entitled to appointment of a receiver for the Premises and its improvements and appurtenances, and their rents, issues, and profits, as a matter of right and without regard to adequacy of security for performance of this Agreement. Any court of competent jurisdiction may appoint the receiver on ex parte application and without notice to Operator, to which Operator hereby waives notice. The receiver shall apply all rents, issues, profits, income and revenue from improvements on the Premises or appurtenances to payment of rent, together with taxes and insurance premiums, and other obligations of Operator. Operator agrees and consents to GGFL being appointed as receiver.

H. Any provision of this Agreement which imposes an obligation after termination or expiration shall survive termination or expiration of this Agreement and shall continue to be binding until fully performed or until, by its nature, the provision has expired.

15. UNDERLYING ESTATES-CONDEMNATION

If GGFL is not the owner of the Premises, this Agreement is subject to all provisions of the lease which entitles GGFL to possession of the Premises. This Agreement shall terminate automatically on the assignment of the lease by GGFL, or on termination or expiration of the lease regardless of reasons for or which party initiates, termination or expiration. Operator shall not do or permit to be done any act or omission which would impair or jeopardize GGFL's interest under any such lease. If GGFL owns the Premises and sells or contracts to sell all or any part of the Premises, then GGFL or GGFL's buyer shall have the right to terminate this Agreement. If all or any part of the Premises is condemned for public or quasi-public use, Operator waives all right to or interest in any condemnation award or settlement.

16. ATTORNEY'S FEES

A. If any action at law or in equity is commenced regarding any matter under this Agreement, or to enforce or interpret this Agreement, the prevailing party shall also be entitled to recover reasonable attorney's fees and costs.

B. If GGFC, GGFL or both are made a party in any litigation between Operator and any third party, Operator shall pay all reasonable costs, including attorney's fees, incurred by GGFC and GGFL in that litigation.

17. OPERATOR'S BUSINESS

A. Nothing in this Agreement shall be construed to reserve to GGFC or GGFL any right to exercise control over or direct Operator's conduct or management of the business; but the entire control and direction of the business and operation shall be and remain in Operator, subject only to Operator's performance of the obligations provided for in this Agreement and compliance with the Operations Manual. Operator acknowledges that the requirements of this Agreement and the Operations Manual are necessary to protect the goodwill and reputation of the GGFC's trade name and trademarks.

B. Neither Operator nor any person performing any duties or engaged in any work on the Premises at Operator's request shall be deemed an employee or agent of GGFC or GGFL.

C. Operator shall pay when due and before delinquency, all employer's and employees' taxes, sales and other taxes required under applicable federal, state and local law and shall provide GGFL with proof of payment on GGFL's request.

D. Provided Operator paid to GGFL the sales tax for goods sold from the Premises and executes documents that GGFL requires, GGFL shall pay the sales tax on Operator's behalf to the appropriate state agency.

If GGFL elects to pay the sales tax and though Operator has not paid the monies to GGFL, then Operator shall pay the monies to GGFL within three (3) days after written notice from GGFL requesting payment.

E. This Agreement does not confer on Operator any right to use GGFC's trademarks, trade names, color schemes or advertising signs or devices except as provided in this Agreement. GGFC shall have the right to remove any of its trade names, color schemes, trademarks, advertising signs or devices from the Premises any time on expiration or termination of the Agreement.

F. The parties intend to be independent contractors with Operator on the one side and GGFC and GGFL on the other. Nothing in this Agreement, whether in the method of computing rent or otherwise, shall create between the parties, or be relied by others as creating, any partnership, association, joint venture, employment, principal-agent or other form of relationship.

18. HOLDOVER

If Operator remains in possession after expiration or termination of this Agreement or any renewal or extension, that possession shall be at a rental of one thousand five hundred dollars (\$1,500) per day.

19. DELINQUENT AMOUNTS

A. Time is of the essence of Operator's payment obligations. Any monies due from Operator to GGFC or GGFL are delinquent if not paid on the dates provided for in this Agreement. All monies shall be due and payable and must be received at GGFC's and GGFL's office at 4440 Von Karman Avenue, Suite 222, Newport Beach, California 92660 on the dates provided for in this Agreement.

B. If Operator does not timely pay any amount, the delinquent amount shall bear interest at the lesser of the maximum lawful rate of interest for a non-personal loan in the state where the Premises are located or eighteen percent (18%) per year, from the date due until date paid. In addition to interest, Operator shall pay to two hundred fifty dollars (\$250) as compensation to GGFC or GGFL for additional services and expenses required due to the delinquency.

20. NOTICES

All notices shall be in writing, may be given to Operator by personal service or to either Operator, GGFC or GGFL by certified or registered mail, or by overnight carrier, which shall be deemed given when the notice is deposited in the mail postage or charges prepaid, and addressed to Operator at the address stated in the introductory paragraph to this Agreement or at the address of the Premises, or addressed to GGFC or GGFL at: 4440 Von Karman Avenue, Suite 222, Newport Beach, California 92660. A party may change the address by notice in writing to the other as above specified.

21. CLOSING CHARGE

From the security deposit provided for in Section 5, GGFL shall be entitled to deduct two hundred fifty dollars (\$250) on termination of this Agreement for any reason prior to the one year anniversary of

the effective date of this Agreement. This amount shall be deemed to be payment to GGFL for accounting expenses incurred in closing accounts of Operator. If expiration or termination of this Agreement occurs after this Agreement has been in effect for one year, then GGFL will waive this closing charge. The closing charge is not imposed on account of a transfer by Operator to another location.

22. CONSENTS

Operator shall have no right to and shall not make any claim and Operator waives any claim for money damages, set off, counterclaim or defense based on any claim that GGFL or GGFC unreasonably withheld or delayed a requested consent or approval. Operator's sole and exclusive remedy for any such claim shall be an action or proceeding to enforce the provision or for specific performance or declaratory judgment concerning the consent or approval.

23. ENTIRETY AND SUCCESSORS

This Agreement contains all the terms agreed by GGFC and GGFL on the one hand and Operator on the other hand; supersedes all prior negotiations, representations and agreements with Operator; and is the entire agreement between GGFC, GGFL on the one hand and Operator on the other, concerning its subject matter. No other agreements, oral or otherwise, exist or bind the parties and all prior agreements, understandings and representations are merged and superseded by this Agreement. Operator represents that (a) there is no other contemporaneous agreement or understanding that is not contained in this instrument; (b) Operator is aware that no officer, employee or agent of GGFC or GGFL has authority to make any representation or promise not stated in this Agreement; and (c) Operator executed this Agreement without reliance on any supposed representation or promise not stated in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by all of the parties.

24. TIME OF ESSENCE

Time is of the essence of Operator's performance of obligations in this Agreement.

25. COUNTERPARTS

This Agreement may be executed in two or more counterparts. Each counterpart shall be deemed an original. When taken together all shall be deemed to be the same instrument.

26. GOVERNING LAW; JURISDICTION; VENUE

This Agreement shall be deemed to be entered into and to require payment and other performance at GGFL's and GGFC's principal office in Newport Beach, California. (The foregoing sentence is not intended to deem, state or imply that Operator was or is physically present in California). In all matters concerning validity, interpretation, performance, effect or otherwise of this Agreement, California law shall apply and govern. Any action or proceeding brought by either party regarding any

matters arising under or related to this Agreement, shall at the option of GGFL or GGFC, be brought and tried in federal or state courts in Orange County, California. Operator waives any right to cause the action or proceeding to be brought or tried elsewhere.

Operator executed this Agreement as of the date stated in the introductory paragraph of this Agreement.

GGFC:

OPERATOR:

GALARDI GROUP FRANCHISE CORP.,
a California corporation

By: _____
Vice President

Signature

Printed Name

GGFL:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member
GALARDI GROUP FRANCHISE & LEASING, INC.

By: _____
Vice President

EXHIBIT "A"
ORIGINAL HAMBURGER STAND RESTAURANT # _____
RENT SCHEDULE

Operator shall pay to GGFL the greater of the Minimum Monthly Rent, as stated below, or the sum of the Monthly Percentage Rent and Monthly Increased Sales Percentage Rent, as stated below, monthly according to the terms of the Operator Agreement.

1. Minimum Monthly Rent, Monthly Percentage Rent, Utility Adjustment & Base Net Sales.

"Minimum Monthly Rent" shall be the amount stated below for each month. "Monthly Percentage Rent" shall be an amount equal to Net Sales for the month times Percentage Rent minus the Utility Adjustment for each month.

<u>Month</u>	<u>Minimum Monthly Rent</u>	<u>Percentage Rent</u>	<u>Base Net Sales</u>	<u>Utility Adjustment</u>
January	\$ _____	_____ %	\$ _____	\$ _____
February	\$ _____	_____ %	\$ _____	\$ _____
March	\$ _____	_____ %	\$ _____	\$ _____
April	\$ _____	_____ %	\$ _____	\$ _____
May	\$ _____	_____ %	\$ _____	\$ _____
June	\$ _____	_____ %	\$ _____	\$ _____
July	\$ _____	_____ %	\$ _____	\$ _____
August	\$ _____	_____ %	\$ _____	\$ _____
September	\$ _____	_____ %	\$ _____	\$ _____
October	\$ _____	_____ %	\$ _____	\$ _____
November	\$ _____	_____ %	\$ _____	\$ _____
December	\$ _____	_____ %	\$ _____	\$ _____

2. Monthly Increased Sales Percentage Rent.

"Monthly Increased Sales Percentage Rent" shall be an amount equal to _____ and _____ Percent (____ %) times the dollar increase between the Base Net Sales, as stated above, and the Net Sales for each month.

EXHIBIT "B"
MINOR MAINTENANCE

Operator shall purchase, install, maintain and replace, as necessary, the following maintenance items from GGFL approved sources:

1. Interior and exterior lights.
2. Air conditioning filters.
3. Flexible gas lines on the fryer, hamburger and hot dog grills.
4. Fan belts on the fryer exhaust.
5. O-ring and gasket shake machine replacement parts.
6. Miscellaneous hardware items such as knobs, screws, doorknobs, locks, soap and towel dispensers.
7.

1 Push Broom	1 Deck Brush
1 Putty Knife - 2"	1 Floor Squeegee - 18"
2 Rubber Spatulas	1 French Knife - 10"
1 Thermometer 220	1 Griddle Pad Holder
1 Thermometer 440	1 Grill Scraper & Blade
3 Tongs - 9"	1 Grill Thermometer 400
2 Water Hoses	2 Janitor Brooms
1 Window Squeegee - 12"	1 Lobby Dust Pan
1 Bastard File	1 Lobby Toy Broom
3 Bottles (ketchup)	1 Mop Bucket with Casters
3 Bottles (mustard)	1 Mop Handle
1 Carton Cutter - 3"	1 Mop Press

Operator will maintain the following:

1. All portable fire extinguishers. GGFL will perform an annual service on extinguishers.
2. Drain lines, except severe problems uncorrected after three (3) attempts by a professional drain cleaning service at Operator's expense.
3. Calibration of all grills.
4. Performance of the Preventative Maintenance Program described on Exhibit "C".
5. Landscape maintenance (for restaurants not paid by GGFL).
6. Property damage not covered by insurance.

EXHIBIT "C"
STORE LEVEL PREVENTATIVE MAINTENANCE PROGRAM

Operator will maintain the following on a daily basis:

1. Clean Bun, Chili and Polish Steamers thoroughly.
2. Check all light fixtures, inside and outside. Replace all faulty fixtures immediately.

Operator will maintain the following on a weekly basis:

1. Clean intake and return air vents with mild soap and water. Re-adjust vent to 1/4" opening.
2. Visually (sight) and olfactory (smell) check the gas flex lines.
3. Manually check gas flex lines (soap and water test).
4. Replace gas flex lines if kinked or leaking.
5. Turn condenser units off; clean coils thoroughly and turn on after cleaning.
6. Break down all removable parts of coffee/tea machine; clean thoroughly and allow to dry overnight.

Operator will maintain the following on a monthly basis:

1. Clean safe head, safe head pins and safe head rim (underside). Lube safe head pins and safe head dial (WD-40).
2. Flush each drink line with hot water; flush until each line is completely clear.
3. Drain sweetwater bath; scrub compartment and lines; flush compartment and refill. Unit must be turned off before cleaning.
4. Check drip pan of shake machine daily; replace O-ring kit bi-monthly and clean condenser monthly.
5. Lube door lock, hinges and window guides (WD-40).
6. Flush floor drain with cold water only for 2 minutes. Replace all covers and/or traps.
7. Pick up all debris from roof top; sweep roof, clean out drains, and clean up grease spills. (Concept 80's)
8. Check outside operation of swamp coolers:
 - a. Panels in place (corrected).
 - b. Water supply on (corrected).
 - c. Calcium build-up on pads (cleaned). (Remove with high pressure hose or whiskbroom).
9. Check inside operation of swamp coolers:
 - a. Water outlets clogged (cleaned).
 - b. Water trough dirty (cleaned).
 - c. Fan belt off or frayed (replace).

Most swamp coolers are thermostatically controlled in Concept 80's. Check for proper setting of thermostats.

Cooling -- 78 degrees Heating -- 68 degrees

10. Compressor Cage - Recon Pack (Concept 80's only):
 - a. Check breaker panel (located at end of unit). All breakers on? (Reset if necessary).
 - b. Check all condenser coils (clean with whiskbroom).
 - c. Check time clock on walk-in freezer compressor for proper "time of day" setting.
 - d. Replace door panels.
11. Exhaust Systems - Grills/Fryers:
 - a. Systems running.
 - b. Remove assembly; check fan belts: if off or frayed, replace.
 - c. Empty and clean drip trays.
12. Air Conditioner:
 - a. Downstairs thermostat settings at 78 & 68 degrees.
 - b. Check breaker system (running).
 - c. Replace filters.
13. Portable Hand Fire Extinguishers (Kitchen, Backroom, Dining Room, Upstairs):
 - a. Check indicator dial for full charge.
 - b. If not charged call for service (Master Fire Protection) at the Operator's expense.
14. Energy Management System(s):
 - a. Check program clock monthly to insure correct operation.

EXHIBIT "D" - PROMISSORY NOTE

\$ _____

Newport Beach, California
_____, 200__

For value received, we/I, jointly and severally, promise to pay to GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company, or order, the sum of _____ dollars, with interest on the unpaid principal at the rate of _____ percent (_____%) per year starting on _____, 200__ with principal and interest payable as follows _____ dollars (\$ _____), or more, on the _____ day of each calendar month, starting on _____, 200__ and continuing each month until the entire unpaid balance of principal and interest has been paid.

The holder of this Note may declare the entire unpaid balance of this obligation immediately due and payable after any of the following events occurs:

1. Default in payment of any installment of this Note for more than ten (10) days after the due date;
2. Default of any provision of any Operator Agreement between GGFL and the undersigned pursuant to which the undersigned operates an Original Hamburger Stand restaurant (an "Operator Agreement"); or
3. Termination of an Operator Agreement by GGFL or the undersigned.

Default in payment of any installment of this Note for more than ten (10) days after the due date shall constitute a default in payment of rent pursuant to the Operator Agreement and shall entitle the holder of this Note to exercise the remedies in the Operator Agreement on account of the default.

Payments, without offset or counterclaim, shall be made in lawful money of the United States at 4440 Von Karman Avenue, Suite 222, Newport Beach, California 92660.

Presentment for payment, notice of dishonor, protest and notice of protest are waived.

In any action or proceeding brought by the holder of this Note to recover any part or all of the principal sum or interest or both, the holder shall be entitled to recover reasonable attorney's fees and costs.

This Note is joint and several among each of the persons who signs below.

Store # _____

Signature _____

Signature _____

