

EXHIBIT B
FRANCHISE AGREEMENT AND ADDENDA

FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT

LOSANGELES 246160x9 61247-00001

FATBURGER NORTH AMERICA, INC.

FRANCHISE AGREEMENT

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FATBURGER NORTH AMERICA, INC.

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this ___ day of _____, 200___, between FATBURGER NORTH AMERICA, INC., a Delaware corporation ("Franchisor") and _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed and owns a unique and distinctive system (the "System") relating to the establishment and operation of restaurants for the sale of hamburgers and related products;

WHEREAS, the distinguishing characteristics of the System include, without limitation, special recipes, ingredients, and menu items; distinctive design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; consistency and uniformity of products and services offered; procedures for quality control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems, trade dress, and indicia of origin, including but not limited to the marks "FATBURGER" and "THE LAST GREAT HAMBURGER STAND," and such other trade names, service marks, and trademarks as are now designated, and may hereafter be designated by Franchisor in writing, for use in connection with the System (the "Proprietary Marks");

WHEREAS, Franchisee desires to enter into the business of operating a Fatburger restaurant under the System and wishes to obtain the right to operate a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications;

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

1. GRANT

1.1 Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right, and Franchisee undertakes the obligation, to operate a Fatburger restaurant (the "Restaurant") and to use solely in connection therewith the Proprietary Marks and the System, as they may be changed, improved, and further developed from time to time, only at the approved location specified in the Attachment hereto (the "Approved Location"). Franchisee will not relocate the Restaurant without the express prior written consent of Franchisor.

1.2 Franchisor will not, during the term of this Agreement or any renewal hereof, establish, or license another to establish, a Fatburger restaurant within the territory described in the Attachment hereto (the "Protected Territory"), except in sports stadiums, concert facilities, casino and casino adjacent locations, hospitals, army bases, schools, amusement facilities, government facilities, airports, bus and train stations, highway travel plazas, ^and other public sites located in the Protected Territory. Franchisor will retain the right, among others, to use, and to license others to use, the System and the Proprietary Marks for the operation of Fatburger restaurants at any location outside the Protected Territory; to itself provide^ catering services ^and operate mobile units designed to enable Franchisor to service special events within and outside the Protected Territory; and to sell products under the Proprietary Marks ^within and outside the Protected Territory.

2. TERM AND RENEWAL

2.1 Except as otherwise provided herein, the term of this Agreement will commence on the date hereof and expire fifteen (15) years from such date.

2.2 Franchisee may, at its option, renew this Agreement for two (2) additional, consecutive terms of ten (10) years each, subject to the following conditions, which must be met before each renewal:

2.2.1 Franchisee will give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months before the end of the initial term or any subsequent renewal term;

2.2.2 Franchisee will make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Restaurant premises as Franchisor may reasonably require, including, without limitation, renovation of signs, furnishings, fixtures, and decor, to reflect the then-current standards and image of the System; but that such renovation and modernization will not be required if Franchisee has refurbished the Restaurant, in accordance with the provisions of Section 5.15 hereof, within the five (5) years immediately preceding the end of the applicable renewal term;

2.2.3 Franchisee will not be in material default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates; and Franchisee will have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee will have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates and will have timely met those obligations throughout the term of this Agreement;

2.2.5 Franchisee will present satisfactory evidence that Franchisee has the right to remain in possession of the Approved Location for the duration of the renewal term or, in the alternative, will obtain Franchisor's approval of a new location and lease for the Restaurant;

2.2.6 Franchisee will execute Franchisor's then-current form of renewal franchise agreement, which agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher

percentage royalty fee and advertising contribution; but that Franchisee must pay, in lieu of an initial franchise fee, a renewal fee in an amount equal to forty percent (40%) of the then-current initial franchise fee charged to new Fatburger franchisees, and the Protected Territory provided for herein will remain the same;

2.2.7 Franchisee will execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, shareholders, agents, and employees in their corporate and individual capacities; and

2.2.8 Franchisee will comply with Franchisor's then-current qualification and training requirements.

3. DUTIES OF FRANCHISOR

3.1 Franchisor will provide training to Franchisee as more fully described in Section 5.6 of this Agreement.

3.2 Franchisor will provide, as Franchisor deems advisable, up to fifteen (15) days of pre-opening and post-opening supervision and assistance, by a representative of Franchisor, subject (as to timing) to scheduling needs and availability of personnel, at no charge to Franchisee, except as provided in Section 5.7 hereof. If Franchisee requests additional assistance, Franchisee shall reimburse Franchisor for all of its additional travel expenses and wages incurred beyond fifteen (15) days.

3.3 Franchisor will provide Franchisee, on loan, one set of Franchisor's Confidential Operations Manual or Manuals (collectively, the "Manual") as more fully described in Section 7 hereof. Franchisee must pay Franchisor its then-current replacement cost for any lost Manual.

3.4 Franchisor will provide to Franchisee, from time to time as Franchisor deems appropriate, advice and written materials concerning techniques of managing and operating the Restaurant including new developments and improvements in restaurant equipment, food products, packaging, and preparation.

3.5 Franchisor will conduct, as it deems advisable, inspections of the Restaurant and evaluations of the products sold and services rendered therein and therefrom.

4. FEES

4.1 Franchisor acknowledges having received from Franchisee an initial franchise fee of \$50,000 (or \$40,000 if paid pursuant to a single or multiple restaurant franchise deposit acknowledgement executed by Franchisee prior to October 2005). The initial franchise fee will be deemed fully earned and non-refundable upon execution of this Agreement in consideration for, among other things, the administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others. Under no circumstances will the franchise fee be refundable.

4.2 Franchisee will pay to Franchisor a continuing weekly royalty fee in an amount equal to six percent (6%) of the net sales of the Restaurant, as defined in Section 4.5 hereof.

4.3 Each weekly period during the term of this Agreement, Franchisee will contribute to the advertising fund the amounts specified in Section 10 of this Agreement.

4.4 All weekly payments required by this Section 4 will be paid on or before Friday of each week for the immediately preceding calendar week and will be submitted to Franchisor together with any reports or statements required under Section 9 hereof. Weekly periods will end each Sunday at midnight. Notwithstanding the above, Franchisor reserves the right to change the time when the weekly payments required by this Section 4 must be paid by Franchisee. Franchisor reserves the right to require that payments be made by telegraphic transfer to a bank account designated by Franchisor, by auto-draft arrangement, or by such other means as Franchisor may specify from time-to-time. Any payment or report not actually received by Franchisor on or before the due date will be deemed overdue. If any payment is overdue, Franchisee will pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less, calculated on a daily basis, and a late charge of Twenty Five Dollars (\$25) per week for each week during which such payment is not received by Franchisor. Entitlement to such interest and late charge will be in addition to any other remedies Franchisor may have.

4.5 As used in this Agreement, "net sales" will include all revenue from the sale of all food, merchandise, and services sold or rendered by the Restaurant (including, without limitation: (a) sales and services where orders originate or are accepted by Franchisee in the Restaurant but delivery or performance thereof is made from or at any place other than the Restaurant or which are pursuant to telephone or other similar orders received or filled at or in the Restaurant, and (b) sales which are made through a jukebox on the premises), whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Restaurant; but "net sales" will not include rebates or refunds to customers or any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority.

5. DUTIES OF FRANCHISEE

Franchisee understands and acknowledges that every detail of the Restaurant is important to Franchisee, Franchisor, and other Fatburger franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all Fatburger franchisees, and to protect Franchisor's reputation and goodwill.

5.1 A Franchisee which is a corporation will comply, except as otherwise approved in writing by Franchisor, with the following requirements throughout the term of this Agreement:

5.1.1 Franchisee will furnish Franchisor with its Articles of Incorporation, By-laws, other governing documents, any other documents Franchisor may reasonably request, and any amendments thereto.

5.1.2 Franchisee will confine its activities exclusively to operating the Restaurant.

5.1.3 Franchisee will maintain stop transfer instructions against the transfer on its records of any equity securities; and will issue no securities upon the face of which does not legibly and conspicuously appear a printed legend in the form reasonably prescribed by Franchisor stating that the transfer of such stock is subject to the terms and conditions of this Agreement.

5.1.4 Franchisee will maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Franchisee and will furnish the list to Franchisor upon request.

5.2 A Franchisee which is a partnership will comply, except as otherwise approved in writing by Franchisor, with the following requirements throughout the term of this Agreement:

5.2.1 Franchisee will furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

5.2.2 Franchisee will confine its activities exclusively to operating the Restaurant.

5.2.3 Franchisee will prepare and furnish to Franchisor a list of all general and limited partners in Franchisee, and Franchisee shall furnish to Franchisor an updated list from time to time to reflect any changes thereto.

5.3 Franchisee (or if Franchisee is a corporation or partnership, its principal(s) approved by Franchisor in writing) will be responsible for financing the entire cost of constructing, equipping, supplying and operating the Restaurant (the "Required Funds"). Franchisee acknowledges and agrees that at all times during the term of this Agreement twenty-five percent (25%) of the Required Funds will consist of equity from Franchisee or its principal(s) and will not be borrowed from, or financed by, any third party. Franchisor reserves the right to waive this requirement for Franchisees with more than one Restaurant.

5.4 Within one hundred eighty (180) days after the date hereof, Franchisee will, at its sole expense, construct or remodel, furnish, and equip the Restaurant, utilizing the construction company, architect, kitchen designer and signage company designated by Franchisor and all in accordance with Franchisor's current requirements and specifications as provided in this Agreement and as otherwise specified by Franchisor in writing, and, subject to Franchisor's prior written approval, commence operation of the Restaurant.

5.5 Franchisee will, at its sole expense, employ the construction company, architect, kitchen designer and signage company designated by Franchisor as may be necessary to complete, adapt, or modify the sample plans and specifications for the Restaurant. Franchisee will submit to Franchisor a complete set of final plans and specifications before commencing construction of the Restaurant. Franchisor will promptly review such plans and specifications. ^Franchisor may, in its sole discretion, allow Franchisee to engage an architect selected by Franchisee, in which case Franchisee must pay Franchisor, on demand, a design review fee of

\$1,500. Franchisee will not commence construction of the Restaurant until Franchisor approves in writing the final plans and specifications to be used in constructing the Restaurant. Franchisor will consult with Franchisee on the design, construction, and equipping of the Restaurant, but it will be and remain the sole responsibility of Franchisee to diligently construct, equip, and otherwise ready and open the Restaurant. Franchisee must obtain Franchisor's written approval of any and all changes in Restaurant plans before construction of the Restaurant or the implementation of such changes. Franchisor shall have access to the Restaurant site while work is in progress and may require such reasonable alterations or modification of the construction of the Restaurant as it deems necessary to comply with approved plans and specifications. Also, in the event the Restaurant is, at any time, to be altered or remodeled, or additional decorations, fixtures, furniture, signs, or equipment are to be installed or substituted, all such work will be subject to the prior written approval of Franchisor and shall only be performed by contractors and architects, kitchen designers and signage companies designated by Franchisor, and, when completed, will conform to plans and specifications approved by Franchisor. Although it is not obligated to do so, Franchisor may inspect such work at any time to determine whether the work is being done in accordance with the plans and specifications previously approved by Franchisor. No Franchisor review, approval, consultation, designation or inspection provided pursuant to this Section 5.5 will constitute or be deemed to constitute a warranty, guarantee, or assurance by Franchisor.

5.6 Before the opening of the Restaurant, the person designated by Franchisee and approved by Franchisor as manager of the Restaurant (which may be Franchisee), and four (4) additional persons designated by Franchisee as assistant managers or shift leaders of the Restaurant will attend and complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at Franchisor's certified training center. Additionally, one or more equity owners of Franchisee acceptable to Franchisor will attend and complete, to Franchisor's satisfaction, the executive training program offered by Franchisor at Franchisor's certified training center. Franchisor will provide instructors and the majority of the training materials for the training programs; and Franchisee or its employees will be responsible for any and all other expenses incurred by them in connection with any training programs, including, without limitation, the costs of transportation, lodging, meals, and any wages. Franchisee must procure, before the commencement of the initial training program offered by Franchisor, statutory worker's compensation insurance covering all participants in the training program. At Franchisor's option, any persons subsequently employed by Franchisee in the positions of manager or assistant manager will also attend Franchisor's initial training program, and Franchisee will reimburse Franchisor for its costs of such training up to a maximum of Five Hundred Dollars (\$500) for each individual. At Franchisor's option, Franchisee and/or Franchisee's manager will attend Franchisor's quarterly training and status meetings, and Franchisee's manager, assistant managers, and other employees will attend such additional training programs and seminars as Franchisor may require from time to time. For all such programs and seminars, Franchisor will provide instructors and training material, and Franchisee or its employees will be responsible for any and all other expenses incurred by them in connection with such programs and seminars, including, without limitation, the costs of transportation, lodging, meals, and any wages.

5.7 Franchisee shall notify Franchisor, at least 60 days in advance, of the projected date by which all construction or remodeling shall have been completed in accordance with Franchisor's specifications and all final health, fire, occupancy and other permits required for the occupancy and operation of the Restaurant shall have been obtained and Franchisee shall have

fully prepared the Restaurant for pre-opening training in accordance with Franchisor's policies and specifications. Franchisor will then contact Franchisee to establish a scheduled opening date (the "Scheduled Opening Date"), which shall be subject to Franchisor's scheduling needs and availability of personnel, and which will be set at least 40 days in advance (unless otherwise mutually agreed). Following establishment of, and at least 7 days prior to, the Scheduled Opening Date, the manager and assistant managers or shift leaders of the Restaurant shall conduct and complete, to Franchisor's satisfaction, the training of hourly employees of the Restaurant pursuant to Franchisor's pre-opening training program. Except as described below, Franchisor will provide, as Franchisor deems advisable, pre-opening supervision and assistance as described in Section 3.2 of this Agreement, at no charge to Franchisee. If, following establishment of the Scheduled Opening Date, the Scheduled Opening Date must be changed, for any reason, Franchisee shall promptly notify Company of said change, and if the actual opening date is delayed or accelerated by more than 2 days from the Scheduled Opening Date, Franchisee shall reimburse Franchisor for all of its additional travel expenses and wages resulting from changing the travel arrangements of Franchisor's representatives scheduled to provide training to Franchisee, the estimated amount of which shall be payable in advance, before Franchisor's representatives travel to Franchisee's Approved Location and before the Restaurant opens to the public. Franchisee or its employees will be responsible for any and all other expenses incurred by them in connection with the training program, including, without limitation, the costs of meals and any wages.

5.8 Franchisee will use the Restaurant premises solely for the operation of the business franchised hereunder; will keep the business open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manual or as Franchisor may otherwise approve in writing; and will refrain from using or permitting the use of the premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor. Franchisee will not knowingly permit the Restaurant to be filmed or used in any visual media without Franchisor's prior written consent. Franchisee will not provide catering or other services outside of the Restaurant without the prior written consent of the Franchisor. Franchisee will install a jukebox on the Restaurant premises, but will not install or allow to be installed on the Restaurant premises any other vending, ATM or amusement machines, except as otherwise approved in writing by Franchisor.

5.9 Franchisee agrees to maintain a competent, conscientious, trained staff, as required by Franchisor in the Manual or otherwise in writing. Franchisee will take such steps as are necessary to ensure that all employees of the Restaurant keep a neat and clean personal appearance, preserve good customer relations, and comply with such dress codes as Franchisor may prescribe. Franchisee acknowledges and agrees that Franchisee will be solely responsible for all employment decisions and functions, including, without limitation, those related to hiring, firing, establishing wage and hour requirements, disciplining, supervising, and record keeping.

5.10 Franchisee, or a person designated by Franchisee before the opening of the Restaurant and approved of in writing by Franchisor, will assume responsibility for the day-to-day management and operation of the Restaurant, oversight of the preparation of food products, and supervision of personnel and accounting (the "Manager"). Also, Franchisee will designate one (1) assistant manager and three (3) shift leaders. The Manager must spend at least forty (40) hours per week overseeing the operation of the Restaurant; but that at all times during open and operating hours of the Restaurant, either Franchisee (or, in the case where Franchisee is a corporation or a

partnership, a principal thereof approved by Franchisor), the Manager, assistant manager, or shift leader will be physically present at and actively supervising the operation of the Restaurant. Franchisee may replace the Manager or any assistant manager at any time provided that Franchisee immediately notifies Franchisor of any such changes. Franchisor may require any new Manager or assistant manager to complete Franchisor's initial training program as described in Section 5.6 hereof.

5.11 Franchisee will meet and maintain the highest health standards and ratings applicable to the operation of the Restaurant. Franchisee will furnish to Franchisor, within five (5) days after receipt thereof, a copy of any violation, citation, notice or correspondence which relates in any way to local health or safety standards in the operation of the Restaurant. Franchisee will take all reasonable steps necessary or desirable to cure and/or avoid any health or safety standards violation, including, without limitation, causing a re-inspection of the Restaurant by health officials for the purpose of obtaining a higher health rating.

5.12 To insure that the highest degree of quality and service is maintained, Franchisee will operate the Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing, Franchisee agrees:

5.12.1 To maintain in sufficient supply (as Franchisor may prescribe in the Manual or otherwise in writing), and to use at all times, only such fixtures, furnishings, equipment, signage, menu items, ingredients, products, materials, supplies, and paper goods as conform with Franchisor's standards and specifications, and to refrain from deviating therefrom by the use of nonconforming items, without Franchisor's prior written consent.

5.12.2 To sell or offer for sale only such menu items and sizes, products, and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all types of menu items, products, and services specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue selling and offering for sale any menu items, products, or services which Franchisor may, in its discretion, disapprove in writing at any time.

5.12.3 To use, in the preparation of food products, only such seasonings and chili as prescribed by Franchisor. Franchisee acknowledges that the seasonings and chili used in the preparation of Fatburger food products are unique and their formulae and manufacturing processes constitute trade secrets essential to the success of the System. Franchisee will purchase the seasonings and chili exclusively from Franchisor or its affiliates or from supplier(s) designated by Franchisor from time to time.

5.12.4 To use and display only the standard format menu provided by Franchisor, as the same may be revised by Franchisor from time-to-time. Any changes in the menu format must be approved in writing by Franchisor before use. Franchisee will have sole discretion as to the prices to be charged to customers.

5.12.5 To permit Franchisor or its agents, at any reasonable time, to remove from the Restaurant premises samples of food or non-food items without payment therefor, in

amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not been approved by Franchisor (or, with respect to the seasonings and chili, designated by Franchisor) or if the sample fails to conform to Franchisor's specifications.

5.12.6 To purchase and/or install, at Franchisee's expense, all fixtures, furnishings, equipment, and signage as Franchisor may reasonably direct from time to time in the Manual or otherwise in writing, including a jukebox, a related sound system and sound recordings designated by Franchisor; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, signage, or other items not previously approved as meeting Franchisor's standards and specifications.

5.12.7 To purchase for display at the Restaurant certain photographs and decor designated by Franchisor.

5.12.8 To refrain from selling, or offering for sale, any alcoholic beverages without the prior written approval of Franchisor, which approval may be conditioned upon such requirements as Franchisor deems necessary for the protection of the Proprietary Marks and the System, including, without limitation, the requirement that Franchisee complies with all laws and regulations applicable to the sale of alcoholic beverages.

5.12.9 To refrain from selling, or offering for sale, any merchandise without first obtaining the prior written approval of Franchisor. Franchisee will purchase and offer for sale such merchandise as Franchisor designates from suppliers designated by Franchisor.

5.13 Franchisee will purchase all fixtures, furnishings, equipment, signage, ingredients (other than seasonings or chili which will be purchased pursuant to Section 5.12.3 hereof), products, materials (including promotional materials), supplies, and paper goods solely from suppliers (including manufacturers, distributors and other sources) who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor and not thereafter been disapproved. Franchisor reserves the right, at its option, to inspect from time to time the facilities and products of any approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria.

5.14 Franchisee will maintain the Restaurant in the highest degree of sanitation, repair, and condition as Franchisor may reasonably require, and in connection therewith will make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repairs to or repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

5.15 At Franchisor's request, which will not be more often than once every five (5) years, Franchisee will refurbish the Restaurant at its expense to conform to the building design, trade dress, color schemes, signage and presentation of trademarks and service marks consistent with the image then in effect for new restaurants under the System, including, without limitation, such structural changes, remodeling, redecoration, and such modifications to existing improvements as may be necessary.

5.16 Franchisee will grant Franchisor and its agents the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections; will cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, will take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection, including, without limitation, immediately desisting from the further use of any equipment, advertising materials, products, ingredients, supplies, or other items that do not conform to Franchisor's then-current specifications, standards, or requirements. The parties agree and acknowledge that Franchisor's damages for Franchisee's violation of certain provisions of this Section are difficult to assess. Therefore, if Franchisee utilizes an ingredient or sells or offers to sell any item, product or service that has not been approved by Franchisor, or if Franchisee purchases or otherwise acquires any item from a supplier that has not been approved by Franchisor, Franchisor may require Franchisee to pay Five Hundred Dollars (\$500.00) per day. Franchisor's right to require Franchisee to make this payment is in addition to, and not in limitation of, any and all of Franchisor's other rights and remedies.

6. PROPRIETARY MARKS

6.1 Franchisor represents with respect to the Proprietary Marks that:

6.1.1 Fatburger Corporation, Franchisor's parent ("Fatburger") licenses Franchisor to use and to license others to use the Proprietary Marks; and

6.1.2 The marks "FATBURGER" and "THE LAST GREAT HAMBURGER STAND" are registered with the U.S. Patent and Trademark Office.

6.2 With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee agrees that:

6.2.1 Franchisee will use only the Proprietary Marks designated by Franchisor, and will use them only in the manner authorized under this Agreement and permitted by Franchisor.

6.2.2 Franchisee will use the Proprietary Marks only for the operation of the Restaurant and only at the Approved Location or in advertising for the business conducted at or from the Approved Location. Unless otherwise authorized or required by Franchisor, Franchisee will not use the Proprietary Marks in connection with the operation of an Internet website.

6.2.3 Unless otherwise authorized or required by Franchisor, Franchisee will operate and advertise the Restaurant only under the name "FATBURGER," without prefix or suffix, and will require all advertising and promotional materials, signs, decorations, paper goods

(including disposable food containers and napkins), and other items which may be designated by Franchisor to bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor.

6.2.4 During the term of this Agreement and any renewal hereof, Franchisee will identify itself as the franchisee of the Restaurant in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, business cards, stationary, order forms, receipts, and contracts, as well as at such conspicuous locations on the premises of the Restaurant as Franchisor may designate in writing.

6.2.5 Franchisee will not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor.

6.2.6 Franchisee will not use the Proprietary Marks as part of an Internet domain name (or URL), e-mail address, or as part of Franchisee's corporate or other legal name.

6.2.7 Franchisee will execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

6.2.8 Franchisee will promptly notify Franchisor of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Property Marks, or any challenge to Fatburger's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use, the Proprietary Marks. Franchisee acknowledges that Franchisor and/or Fatburger have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor (or Fatburger) has the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor will defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, will be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, will be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee will execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action.

6.3 Franchisee expressly understands and acknowledges that:

6.3.1 Fatburger is the owner of all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

6.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

6.3.3 Franchisee will not directly or indirectly contest the validity of or Fatburger's ownership of the Proprietary Marks.

6.3.4 Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

6.3.5 Any and all goodwill arising from Franchisee's use of the Proprietary Marks in its franchised operation under the System will inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

6.3.6 Except as provided in Section 1.2 of this Agreement, the right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others:

6.3.6.1 To use the Proprietary Marks itself in connection with selling products and services;

6.3.6.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing Fatburger franchisees;

6.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

6.3.7 Franchisor reserves the right to modify or substitute different Proprietary Marks for use in identifying the System and the businesses operating thereunder and Franchisee will comply with any such modification or substitution at its expense.

7. CONFIDENTIAL OPERATIONS MANUAL

7.1 In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the Proprietary Marks, Franchisee will conduct its business in accordance with the Manual, which may consist of one or more volumes of books, manuals, or other materials relating to operation under the System, including additions and updates thereto as published periodically by Franchisor, one copy of which Franchisee acknowledges having received on loan from Franchisor for the term of this Agreement.

7.2 Franchisee will at all times treat the Manual and the information contained therein as confidential, and will use all reasonable efforts to maintain such information as secret and confidential. Franchisee will not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.3 The Manual will at all times remain the sole property of Franchisor and will at all times be kept in a secure place on the Restaurant premises.

7.4 Franchisor may from time to time revise the contents of the Manual, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee will at all times insure that its copy of the Manual is kept current and up to date; and, in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters will be controlling.

8. CONFIDENTIAL INFORMATION

8.1 Franchisee will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge, or know-how which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee will divulge such confidential information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

8.2 Franchisee will require its Manager, assistant managers, and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Restaurant. Such covenants will be in a form designated by Franchisor and will include, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

9. ACCOUNTING AND RECORDS

9.1 Franchisee will record all sales on a computer-based point-of-sale record keeping and control system as designated by Franchisor for use in the Restaurant, and on any forms and equipment as prescribed by Franchisor in the Manual or otherwise in writing. Franchisee must purchase a certain cash register system, including a personal computer, printer, firewall, DSL or other type of high speed connection and modem which will enable Franchisor to access, in a read-only mode, the information entered by Franchisee relating to the operations of the Restaurant. Franchisee agrees and acknowledges that Franchisor may from time to time specify additional hardware and software components which Franchisee may be obligated to purchase. Franchisee further agrees and acknowledges that Franchisor may also designate supplier(s) from whom Franchisee must purchase such items. Except as described above, Franchisee will have the option of purchasing components of the system from various suppliers, as long as the hardware and software meet Franchisor's then-current specifications. Franchisee will also purchase a maintenance contract with respect to the hardware and software components of the system. Franchisee must purchase upgrades and updates to the software and hardware components of the system as Franchisor may deem necessary from time to time. Franchisee shall accept MasterCard, Visa and American Express as well as such other credit and debit cards and other non-cash systems, Fatburger loyalty cards and gift cards as Franchisor may specify, and shall obtain, replace and modify

such equipment as required to implement the same, all in accordance with the policies and procedures Franchisor may establish and modify from time to time.

9.2 Franchisee will maintain during the term of this Agreement, and will preserve for at least five (5) years from the dates of their preparation, full, complete, and accurate books, records, and accounts, including cash register or point-of-sales tapes, in accordance with generally accepted accounting principles and based on period accounting or any other form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

9.3 Franchisee will submit to Franchisor no later than the Friday of each week immediately following each calendar week during the term of this Agreement after the opening of the Restaurant, [^]net sales information, in the form prescribed by Franchisor, [^]and such other data or information as Franchisor may require.

9.4 Franchisee will submit to Franchisor, no later than [^]forty-five (45) days following the end of each calendar month, "compilation" financial statements including a statement of profit and loss. Franchisee will also submit to Franchisor within [^]forty-five (45) days following the end of each semi-annual (which will mean six (6) months) calendar period, or in the case of a corporation or partnership, within [^]forty-five (45) days following the end of each semi-annual fiscal period, "review" financial statements including a balance sheet and a statement of profit and loss for each such semi-annual period, prepared by Franchisee's certified public accountant.

9.5 Franchisee will also submit to Franchisor, for review or auditing, Franchisee's tax returns (including, without limitation, both income and sales tax returns) pertaining to the Restaurant and such other forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing.

9.6 Franchisor or its designated agents will have the right at all reasonable times to examine and copy, at Franchisor's expense, the books and records of the Restaurant. Franchisor will also have the right, at any time, to have an independent audit made of the books of the Restaurant. If an inspection should reveal that any payments have been understated in any report to Franchisor during the current year or during the preceding five (5) calendar years, then Franchisee will immediately pay to Franchisor upon demand the amount understated in such reports, in addition to interest on such amount from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less, calculated on a daily basis, and a late charge of Twenty Five Dollars (\$25) per week for each week during which such payment was not received by Franchisor. If an inspection discloses an understatement in any payment of two percent (2%) or more, Franchisee will, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs). The foregoing remedies will be in addition to any other remedies Franchisor may have.

9.7 Franchisee acknowledges and agrees that Franchisor may include financial performance information concerning Franchisee's Restaurant in its franchise offering circular

(including providing prospective franchisees with such backup documentation as may be required by law), in related media claims, to existing franchisees, and as otherwise required or permitted by law.

10. ADVERTISING

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

10.1 Local Advertising

10.1.1 Each calendar quarter, Franchisee will expend an amount equal to two percent (2%) of its net sales or One Thousand Two Hundred Dollars (\$1,200), whichever is greater, on local advertising and promotion of the Restaurant. Within thirty (30) days following the end of each calendar quarter, Franchisee will furnish to Franchisor a marketing report in form and substance specified by Franchisor, including evidence to verify such expenditure. ^The local store marketing report template can be found on the Marketing Extranet along with deadline requirements. Incomplete reports will not be accepted.

10.1.2 Franchisee will obtain a listing in the yellow pages of the telephone directories serving the location of the Restaurant, which listing will be in the form and size specified by Franchisor in the Manual or otherwise in writing. The expenditure by Franchisee in obtaining such listing will qualify for purposes of Section 10.1.1 hereof.

10.1.3 Franchisee will obtain and maintain at appropriate locations on the Restaurant premises an adequate supply of ^Marketing Materials and special promotion materials of the kinds and sizes specified by Franchisor in the Manual, Franchise Marketing Resource Guide and New Store Opening Guide, Marketing Extranet, or otherwise in writing. Unapproved marketing materials and advertising communication that is submitted with local store marketing reports will not receive credit.

10.1.4 All advertising and promotion by Franchisee in any manner or medium will be conducted in a dignified manner and will conform to such standards and requirements as are specified by Franchisor. Franchisee will submit to Franchisor (through the mail, return receipt requested), for its prior approval at least two (2) weeks before its intended use (except with respect to prices to be charged), samples of all advertising and promotional plans and materials that Franchisee desires to use and which have not been prepared or previously approved by Franchisor, including, without limitation, business cards, stationary, T-shirts, buttons, caps, watches, and similar items. If written disapproval thereof is not received by Franchisee from Franchisor within two (2) weeks after the date of receipt by Franchisor of such samples or materials, Franchisor will be deemed to have given the required approval. Franchisor may require, at its option, that Franchisee purchase certain advertising and promotional merchandise from suppliers who have been approved by Franchisor and who have entered into Franchisor's standard license agreement which shall provide, among other things, for the payment of royalties to Franchisor. Franchisee may not, without Franchisor's express prior written consent, distribute, display, market or promote, at the Restaurant or in connection with any advertising, promotion or marketing of the Restaurant,

any third party's goods or services, including any unauthorized co-promotions (e.g., drop boxes promoting fitness clubs).

10.2 National Advertising

Franchisee will make a weekly contribution to a fund for national/regional advertising of the System (the "Fund") in an amount equal to the greater of Two Hundred Fifty Dollars (\$250) or two percent (2%) of Franchisee's weekly Net Sales. Franchisor reserves the right in its absolute discretion to increase the weekly contribution to the Fund at any time throughout the term of this agreement to the greater of four percent (4%) of weekly Net Sales or Four Hundred Dollars (\$400.00). The Fund will be maintained and administered by Franchisor or its designee, as follows:

10.2.1 Franchisor or its designee will direct all advertising programs with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee and Franchisor agree and acknowledge that the Fund is intended to maximize general public recognition, acceptance, and the use of the Proprietary Marks for the System and that Franchisor or its designee undertake no obligation in administering the Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to insure that any particular Franchisee benefits directly or pro rata from expenditures by the Fund.

10.2.2 Franchisor will, for each of its company-owned Fatburger restaurants, if any, make contributions to the Fund on the same basis as assessments required of comparable franchisees within the System.

10.2.3 The Fund, all contributions thereto, and any earnings thereon will be used exclusively to reimburse Franchisor for advances relating to, and/or to meet any and all future costs of maintaining, administering, directing, and preparing advertising and/or promotional activities (including, among other things, the cost of preparing and conducting television, radio, magazine, and newspaper advertising campaigns; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; sponsorship of athletic and other events and activities; soliciting franchisee sales; use of advertising agencies to assist therein; and promotional brochures and other marketing materials for restaurants operated under the System).

10.2.4 Franchisee will contribute to the Fund by separate check made payable to the Fund, by telegraphic transfer to a bank account designated by Franchisor, by auto-draft arrangement, or by such other means as Franchisor may specify from time-to-time. All sums paid by Franchisee to the Fund will be maintained in an account separate from the other monies of Franchisor and will not be used to defray any of Franchisor's expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees and the System. The Fund and its earnings will not otherwise inure to the benefit of Franchisor. Franchisor or its designee will maintain separate bookkeeping accounts for the Fund, and will provide Franchisee, at its request, with an accounting of receipts and disbursements of the Fund.

10.2.5 It is anticipated that all contributions to and earnings of the Fund will be expended for advertising and/or promotional purposes during the taxable year within which the

contributions and earnings are received. If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

10.2.6 Although the Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Fund. The Fund will not be terminated, however, until all monies in the Fund have been expended for advertising and/or promotional purposes, applied to reimburse Franchisor for funds otherwise advanced by Franchisor for advertising activities, or returned to contributors on the basis of their respective contributions.

11. INSURANCE

11.1 Franchisee will procure, before the commencement of any operations under this Agreement, and will maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and their respective officers, directors, partners, agents, and employees, against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Restaurant, including, but not limited to, comprehensive general liability insurance, property and casualty insurance, statutory worker's compensation insurance, and business interruption insurance. Notwithstanding the foregoing, Franchisee must procure, before the commencement of the initial training program offered by Franchisor, statutory worker's compensation insurance covering all participants in the training program. Such policy or policies will be written by an insurance company acceptable to Franchisor, will name Franchisor as an additional insured as specified by Franchisor, and will provide, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time), the types and minimum amounts of coverage specified in the Manual or otherwise in writing. Franchisee must, before the commencement of any construction of the Restaurant, and will maintain in full force and effect at all times during construction, at Franchisee's expense, builders risk insurance in the minimum amounts of coverage specified in the Manual or otherwise in writing. Franchisor will have the right to obtain, directly from Franchisee's insurance carriers, any and all information relating to the foregoing policy or policies and any claims thereunder. Upon the request of Franchisor, Franchisee will execute, acknowledge, and deliver such instruments, and do such further acts, as may be required by Franchisor to enable Franchisor to obtain such information.

11.2 Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor will Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 17.3 of this Agreement.

11.3 At least thirty (30) days before the commencement of operations under this Agreement and thereafter on an annual basis and at least thirty (30) days prior to the expiration of any such policy, Franchisee will deliver to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required hereunder. All Certificates will expressly provide

that no less than thirty (30) days' before written notice will be given Franchisor in the event of material alteration to, or cancellation of, the coverages evidenced by such Certificates.

11.4 Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manual or otherwise in writing, Franchisor will have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, will be payable by Franchisee immediately upon notice. The foregoing remedies will be in addition to any other remedies Franchisor may have.

12. TRANSFER OF INTEREST

12.1 Transfer by Franchisor:

Franchisor will have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and, upon such transfer or assignment, any designated assignee of Franchisor will become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

12.2 Transfer by Franchisee:

12.2.1 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee's business skill and financial capacity. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in this Agreement, in Franchisee, or in the Restaurant will sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor required by this Section 12.2.1 will be null and void and will constitute a material breach of this Agreement, for which Franchisor may terminate without opportunity to cure pursuant to Section 13.2.7 of this Agreement.

12.2.2 Franchisee will notify Franchisor in writing of any proposed transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant at least ninety (90) days before such transfer is proposed to take place. Franchisor will not unreasonably withhold its consent to any transfer subject to Franchisor's rights under Section 12.4; but that Franchisor may require, in its sole discretion, any or all of the following as conditions of its approval:

12.2.2.1 All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates will have been satisfied;

12.2.2.2 Franchisee is not in material default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates;

12.2.2.3 Franchisee's right to receive compensation pursuant to any agreement for the purchase of any interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant will be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from Franchisee pursuant to this Agreement or any other agreement between Franchisor or its affiliates and Franchisee, whether arising before or after such transfer;

12.2.2.4 Franchisee will have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, and employees, in their corporate and individual capacities;

12.2.2.5 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) will enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement;

12.2.2.6 The transferee (or, if the transferee is other than an individual, such owners of a beneficial interest in the transfer as Franchisor may request) will demonstrate to Franchisor's satisfaction that he meets Franchisor's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Restaurant (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the Restaurant;

12.2.2.7 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) will execute, for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the standard form franchise agreement then being offered to new Fatburger franchisees and such other ancillary agreements as Franchisor may require for the Restaurant, which agreements will supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty rate and advertising contribution; but that the transferee will not be required to pay any initial franchise fee and the Protected Territory provided for in this Agreement will remain the same;

12.2.2.8 The transferee, at its expense, will upgrade the Restaurant to conform to the then-current standards and specifications of Fatburger restaurants, and will complete the upgrading and other requirements within the time specified by Franchisor; but that Franchisee will not be required to upgrade the Restaurant if Franchisee has refurbished the Restaurant, in accordance with the provisions of Section 5.15 hereof, within the five (5) year period immediately preceding the date on which Franchisee notifies Franchisor of the proposed transfer;

12.2.2.9 Franchisee will remain liable for all of the obligations to Franchisor in connection with the Restaurant before the effective date of the transfer and will execute any and all instruments reasonably requested by Franchisor to evidence such liability;

12.2.2.10 At the transferee's expense, the transferee's manager and/or such additional persons as may be reasonably designated by Franchisor will complete any training programs then in effect for Fatburger franchisees upon such terms and conditions as Franchisor may reasonably require, including that such training be completed before the effective date of the transfer; and

12.2.2.11 Except in the case of a transfer to a corporation or other entity formed by Franchisee for the convenience of ownership (for which no fee will be required but with respect to which Franchisor may impose other conditions, including without limitation, the requirement that operation of the Restaurant be the sole business of the entity and that Franchisee be the sole owner of the entity), Franchisee will pay to Franchisor a transfer fee of Fifteen Thousand Dollars (\$15,000).

12.2.3 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.

12.3 Offerings by Franchisee:

Securities or partnership interests in Franchisee may be sold, by private offering or otherwise, only pursuant to the requirements of Section 12.2 of this Agreement. All materials required for such offering by federal or state law will be submitted to Franchisor for review before their being filed with any government agency; and any materials to be used in any exempt offering will be submitted to Franchisor for review before their use. No Franchisee offering will imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating as an underwriter, issuer, or offeror of Franchisee's or Franchisor's securities; and Franchisor's review of any offering will be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee will pay to Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering. Franchisee will give Franchisor written notice at least thirty (30) days before the date of commencement of any offering or other transaction covered by this Section 12.3.

12.4 Right of First Refusal:

12.4.1 If any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant desires to accept any bona fide offer from a third party to purchase such interest, Franchisee will notify Franchisor in writing of each such offer, and will provide such information and documentation relating to the offer as Franchisor may require.

12.4.2 Franchisor will have the right and option, exercisable within forty-five (45) 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. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor does not elect to purchase the seller's interest, closing on the purchase must occur within forty-five (45) days from the date Franchisor notifies seller that it does not want to purchase the interest or the expiration of the initial notice period, whichever first occurs. Any material change in the terms of any offer before closing will constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 12.4 will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 12 with respect to a proposed transfer.

12.4.3 If the consideration, terms, or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, each party will designate an independent appraiser, and the two so chosen will designate a third, and the determination of the majority will be binding.

12.5 **Transfer Upon Death or Mental Incapacity:**

Upon the death or mental incapacity of any person with an interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Restaurant, the executor, administrator, or personal representative of such person will transfer within six (6) months after such death or mental incapacity the interest of such person to a third party approved by Franchisor. Such transfers, including, without limitation, transfers by devise or inheritance, will 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 meet the conditions in this Section 12.5, the personal representative of the decedent will transfer the decedent's interest to another party approved by Franchisor within such six-month period, which disposition will be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within such six-month period, Franchisor may terminate this Agreement.

12.6 **Security Interest:**

Franchisee will not grant a security interest in the Restaurant or in any of the assets of the Restaurant unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor will have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default will be void.

12.7 **Non-Waiver of Claims:**

Franchisor's consent to a transfer hereunder will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

13. DEFAULT AND TERMINATION

13.1 Franchisee will be deemed to be in default under this Agreement, and all rights granted herein will automatically terminate without notice to Franchisee, if Franchisee will become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated a bankrupt or insolvent; or 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; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or 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 and not reformed within thirty (30) days thereafter; or if execution is levied against Franchisee's business or property so that Franchisee loses its right to such business or property; or if the real or personal property of the Restaurant will be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Franchisee will be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to open the Restaurant in accordance with Sections 5.4 through 5.7 of this Agreement.

13.2.2 If Franchisee at any time ceases to operate or otherwise abandons the Restaurant, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located and such abandonment, loss of possession, or forfeiture continues for more than twenty-four (24) hours; but that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee will have thirty (30) days after either such event in which to apply for Franchisor's approval to relocate or reconstruct the premises, which approval will not be unreasonably withheld.

13.2.3 If Franchisee (or, if Franchisee is other than an individual, any of Franchisee's principals) is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

13.2.4 If an approved transfer is not effected within a reasonable time, as required by Section 12.5 hereof, following Franchisee's death or mental incapacity.

13.2.5 If, contrary to the terms of Sections 7 or 8 hereof, Franchisee makes any disclosure or divulgence of the contents of the Manual or other confidential information provided to Franchisee by Franchisor which Franchisor reasonably believes is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

13.2.6 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant.

13.2.7 If Franchisee fails, refuses, or neglects to seek Franchisor's prior written approval or consent, including consent to transfer, as required by this Agreement.

13.2.8 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.

13.2.9 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.

13.2.10 If Franchisee fails to comply with the covenants applicable during the term of this Agreement in Section 15.2 hereof.

13.2.11 If Franchisee fails to obtain execution of the covenants required under Section 15.6 hereof.

13.2.12 If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor.

13.2.13 If Franchisee fails to perform or observe any provision of the lease of the Restaurant premises.

13.2.14 If Franchisee or any of its managers or assistant managers fail to complete to Franchisor's satisfaction the initial training program in accordance with the provisions of Section 5.6 hereof.

13.2.15 If Franchisee fails to correct or repair any defects, deficiencies, or unsatisfactory conditions at the Restaurant immediately after being advised of same by Franchisor.

13.2.16 If Franchisee repeatedly is in default under Section 13.3 hereof for failure substantially to comply with any of the requirements imposed by this Agreement, whether or not cured after notice.

13.3 Except as provided in Sections 13.1 and 13.2 of this Agreement and except as provided below, Franchisee will 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 will terminate 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 will be in default hereunder for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented

by the Manual, or to carry out the terms of this Agreement in good faith. Such defaults will include, without limitation, the Franchisee's failure to maintain any of the standards or procedures prescribed by Franchisor in this Agreement, the Manual, or otherwise in writing. Franchisee will have ten (10) days after its receipt of a written notice of termination within which to remedy Franchisee's failure, refusal or neglect promptly to pay any monies owing to Franchisor or its affiliates or to Franchisee's suppliers or vendors when due, or to any third party which would have recourse against Franchisor, or to submit the financial or other information required by Franchisor under this Agreement.

14. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

14.1 Franchisee will immediately cease to operate the business franchised under this Agreement, and will not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

14.2 Franchisee will immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System; the Proprietary Mark "FATBURGER"; and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee will cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, menu items and any other articles which display the Proprietary Marks; but that this Section 14.2 will not apply to the operation by Franchisee of any other franchise under the System which may be granted by Franchisor to Franchisee.

14.3 Franchisee will take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "FATBURGER" or any other service mark or trademark of Franchisor, and Franchisee will furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

14.4 Franchisee will, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Restaurant. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the premises of the Restaurant, Franchisee will make such modifications or alterations to the premises operated hereunder immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Fatburger restaurants, and will make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 14.4, Franchisor will have the right to enter upon the premises where the Restaurant was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

14.5 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 constituting unfair competition.

14.6 Franchisee will promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums will include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default.

14.7 Franchisee will pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.

14.8 Franchisee will immediately deliver to Franchisor all manuals, including the Manual, records, files, instructions, correspondence, all materials related to operating the Restaurant, including, without limitation, brochures, signs, menus, displays, advertising materials, agreements, invoices, and any and all other materials relating to the operation of the Restaurant in Franchisee's possession, and all copies thereof (all of which are acknowledged to be Franchisor's property), and will 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.

14.9 Franchisor will have the option, to be exercised within thirty (30) days after termination or expiration, to purchase from Franchisee any or all of the furnishings, equipment, fixtures, supplies, or inventory of Franchisee related to the operation of the Restaurant, at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on a fair market value within a reasonable time, each party will designate an independent appraiser, and the two so chosen will designate a third, and the determination of the majority will be binding. If Franchisor elects to exercise any option to purchase herein provided, it will have the right to set off all amounts due from Franchisee, and the cost of the appraisal, if any, against any payment therefor.

14.10 Franchisee will assign to Franchisor all telephone numbers utilized by Franchisee in the operation of the Restaurant.

14.11 Franchisee will comply with the covenants contained in Section 15.2 of this Agreement.

15. COVENANTS

15.1 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 System. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee will not, either

directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

15.1.1 Divert or attempt to divert any business or customer of the Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

15.1.2 Employ or seek to employ any employee of Franchisor or of any Fatburger franchisee or developer for a period of at least one (1) year following the non-employment of such employee, or otherwise directly or indirectly induce any employee of Franchisor or of any Fatburger franchisee or developer to leave his or her employment.

15.2 Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee will 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 two (2) years thereafter, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business which is the same as or similar to a Fatburger restaurant and which is, or is intended to be, located within a radius of five (5) miles of the Approved Location or of the location of any other Fatburger restaurant.

15.3 Section 15.2 will not apply to ownership by Franchisee of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

15.4 Franchisee understands and acknowledges that Franchisor will 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 will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 20 hereof.

15.5 Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly acknowledges and agrees that Franchisor may seek an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15.

15.6 At Franchisor's request, Franchisee will obtain and furnish to Franchisor covenants similar in substance to those 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, if such persons have access to information regarding the franchised business: (1) The Manager and assistant managers of the Restaurant; (2) all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; and (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.

Every covenant required by this Section 15.6 will be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

16. TAXES, PERMITS, AND INDEBTEDNESS

16.1 Franchisee will 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 Restaurant. Franchisee will pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income 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.

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 will Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Restaurant or any improvements thereon.

16.3 Franchisee will comply with all federal, state, and local laws, rules, and regulations, and will timely obtain any and all permits, certificates, or franchises necessary for the full and proper conduct of the Restaurant, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, health and sanitation permits and ratings, and fire clearances.

16.4 Franchisee will notify Franchisor in writing within five (5) days after the receipt of notice by Franchisee 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 may adversely affect the operation or financial condition of the Restaurant.

17. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

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

17.2 During the term of this Agreement and any extensions hereof, Franchisee will hold itself out to the public as an independent contractor operating the Restaurant 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 Restaurant premises, the content and form of which Franchisor reserves the right to specify.

17.3 It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor will in no event

assume liability for, or be deemed liable hereunder as a result of, any such action; nor will Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor. Franchisee will indemnify and hold Franchisor, and Franchisor's officers, directors, agents, and employees, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Restaurant, as well as the costs, including attorneys' fees, of defending against them.

18. APPROVALS AND WAIVERS

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

18.2 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 in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

18.3 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, will 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 will not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor will any delay, forbearance, or omission of 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 will such constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

19. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be personally delivered or sent by a means which affords the sender evidence of delivery or attempted delivery, 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:

Fatburger North America, Inc.
301 Arizona Avenue, Suite 200
Santa Monica, California 90401
Attn: Chief Executive Officer

Notices to Franchisee:

Any notice sent or delivered as aforesaid will be deemed to have been given at the date and time of receipt or attempted delivery.

20. ENTIRE AGREEMENT

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

21. SEVERABILITY AND CONSTRUCTION

21.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any 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 will 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 intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

21.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will 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.

21.3 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 to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

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

22. APPLICABLE LAW

22.1 This Agreement will be interpreted and construed exclusively under the laws of California. In the event of any conflict of law, the laws of California will prevail, without regard to the application of California conflict of law rules; but that if any of the provisions of this Agreement would not be enforceable under the laws of California, then such provisions will be interpreted and construed under the laws of the state in which the Restaurant is located.

22.2 Except for a claim with respect to: (a) ownership or use of the Proprietary Marks, (b) enforcement of Section 15 hereof, or (c) monies owed by Franchisee to Franchisor, any claim or controversy arising out of or related to this Agreement or the making, performance, or interpretation thereof will be settled in with the then prevailing rules of the American Arbitration Association ("AAA"). Franchisee and Franchisor will each appoint one (1) arbitrator from a list of arbitrators provided by AAA, and those two (2) arbitrators will appoint a third arbitrator from such list. The three (3) arbitrators will determine facts, apply the applicable law, and award compensatory damages, but not punitive damages, which are hereby waived by Franchisee and Franchisor. All arbitration proceedings will take place in the county in which Franchisor's headquarters is located. Each party to the arbitration will bear such party's own legal fees and expenses, and the fees and expenses of AAA and the arbitrators will be paid by such party or parties as the arbitrators determine. The award made by the arbitrators will be binding and final on the parties to such proceedings, and will not be subject to review by a court of law; but that judgment upon the award may be entered in a court having jurisdiction thereof, or application may be made to such court for a judicial acceptance of the award or an order of enforcement.

22.3 No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor will be, deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

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

22.5 Franchisee will pay to Franchisor all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor in enforcing any provision of this Agreement, including without limitation the obtaining of injunctive relief.

23. **ACKNOWLEDGMENTS**

23.1 Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, 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.

23.2 Franchisee acknowledges that it has read and understood this Agreement, the Attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

23.3 Franchisee acknowledges that it received a copy of the complete Fatburger North America, Inc. Franchise Agreement, the Attachments thereto, and agreements relating thereto, if any, at least five (5) business days before 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 before the date on which this Agreement was executed.

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

"FRANCHISEE"

By: _____

Its: _____

"FRANCHISOR"

FATBURGER NORTH AMERICA, INC.,
a Delaware corporation

By: _____

Its: _____

ATTACHMENT
to
FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT

Approved Location

The address of the Approved location referred to in Section 1.1 of the Agreement is as follows:

Protected Territory

The Protected Territory referred to in Section 1.2 of the Agreement is as follows:

“FRANCHISEE”

By: _____

Its: _____

“FRANCHISOR”

FATBURGER NORTH AMERICA, INC.,
a Delaware corporation

By: _____

Its: _____

**FATBURGER NORTH AMERICA, INC.
ADDENDA TO FRANCHISE AGREEMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY VARIOUS STATES**

* * *

**THESE ADDENDA TO THE FRANCHISE AGREEMENT CONTAIN
INFORMATION REQUIRED BY VARIOUS STATES AND ARE ONLY APPLICABLE
TO THE EXTENT THE JURISDICTIONAL REQUIREMENTS OF THESE STATE
LAWS ARE MET INDEPENDENTLY, WITHOUT REFERENCE TO THE ADDENDA.**

ADDENDUM TO
FATBURGER NORTH AMERICA, INC. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF HAWAII

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E-1 et seq., the parties to the Fatburger North America, Inc. Franchise Agreement (the "Agreement") agree to amend the Agreement as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term and Renewal," is supplemented by the following:

2.2.7 . . . , excluding only such claims as Franchisee may have that arise under the Hawaii Franchise Investment Law.

2. Section 12.2.2.4 of the Agreement, under the heading "Transfer by Franchisee" is supplemented by adding the following:

12.2.2.4 . . . , excluding only such claims as the transferor may have that arise under the Hawaii Franchise Investment Law;

3. Although the Franchisor furnishes the information contained in this Hawaii Addendum to Franchise Agreement to every prospective franchisee who is potentially protected under the Hawaii Franchise Investment Law, the Franchisor does not submit itself to the jurisdiction under the Hawaii Franchise Investment Law merely by furnishing this Addendum. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E-1 et seq., are met independently without reference to this Addendum, and to the extent such provision is a then valid requirement of the statute.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

FATBURGER NORTH AMERICA, INC.

By: _____

By: _____

Title: _____

Title: _____

ADDENDUM TO FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

Under Illinois law, the parties to the attached Fatburger North America, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term and Renewal," will be modified by adding the following paragraph 2.2.9, which will be considered an integral part of the Agreement:

2.2.9 If any of the provisions of this Section 2 concerning non-renewal are inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then said Illinois law will apply.

2. Section 13 of the Agreement, under the heading "Default and Termination," will be modified by adding the following subsection 13.4, which will be considered an integral part of the Agreement:

13.4 If any of the provisions of this Section 13 concerning termination are inconsistent with Section 19 of the Illinois franchise Disclosure Act of 1987, then said Illinois law will apply.

3. Section 14 of the Agreement, under the heading "Obligations Upon Termination or Expiration," will be modified by adding the following paragraph 14.12, which will be considered an integral part of the Agreement:

14.12 If any of the provisions of this Section 14 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, said provisions of the Act will apply. In addition, in the event that we do not renew this Agreement, we will compensate you either by repurchase or by other means for the diminution in value of the franchised business caused by the expiration of the franchise, if we are required to do so by Section 20 of the Illinois Franchise Disclosure Act of 1987.

4. Section 22 of the Agreement, under the heading "Applicable Law," will be modified by adding the following subsection 22.6, which will be considered an integral part of the Agreement:

22.6 Notwithstanding the above, in order to comply with the Illinois Franchise Disclosure Act, Illinois law shall govern the interpretation of this Agreement.

5. Section 23.1 of the Agreement, under the heading "Acknowledgments," will be deleted in its entirety and will have no force or effect, and the following will be substituted in lieu thereof:

23.1 You acknowledge that you have conducted an independent investigation of the business franchised hereunder, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your ability as an independent businessperson.

6. Section 23.3 of the Agreement, under the heading "Acknowledgments," will be deleted in its entirety and will have no force or effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

FATBURGER NORTH AMERICA, INC.

By: _____

By: _____

Title: _____

Title: _____

ADDENDUM TO FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF INDIANA

Under the requirements of the Indiana Deceptive Franchise Practices Law, the parties to the attached FATBURGER NORTH AMERICA, INC. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term and Succession," is deleted in its entirety and has no force or effect, and the following is substituted in lieu thereof:

2.2.7 Franchisee will execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, shareholders, agents, and employees, excluding only such claims as the Franchisee may have under the Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.).

2. Section 12.2.2.4 of the Agreement, under the heading "Transfer by Franchisee" is deleted in its entirety and has no force or effect, and the following is substituted in lieu thereof:

12.2.2.4 The transferor will have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, and employees, in their corporate and individual capacities, excluding only such claims as the Franchisee may have under the Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.);

3. Section 15.2 of the Agreement, under the heading "Covenants," is deleted in its entirety and has no force or effect, and the following is substituted in lieu thereof:

15.2 Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee will 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 two (2) years thereafter, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business which is the same as or similar to a Fatburger restaurant and which is, or is intended to be, located: (a) during the term of this Agreement, within a radius of five (5) miles of the Approved Location or of the location of any other Fatburger restaurant; and (b) following expiration or termination of this Agreement and for the two (2) year period thereafter, within the Protected Territory.

4. Section 15.5 of the Agreement, under the heading "Covenants," is deleted in its entirety and has no force or effect, and the following is substituted in lieu thereof:

15.5 Franchisee agrees that in addition to any other remedies Franchisor may have, Franchisor will be entitled to seek preliminary and injunctive relief against any violation of this Section 15.

5. Section 17.3 of the Agreement, under the heading "Independent Contractor and Indemnification" is amended by deleting the last sentence in the paragraph in its entirety, which sentence shall have no force or effect, and substituting the following sentence in lieu thereof:

Franchisee will indemnify and hold Franchisor, and Franchisor's officers, directors, agents, and employees, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Restaurant, as well as the costs, including attorneys' fees, of defending against them, except where such claims are directly attributable to Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or where such claims are caused by Franchisor's negligence.

6. Section 22.1 of the Agreement, under the heading "Applicable Law," is amended by adding the following sentence to the end of the paragraph:

Notwithstanding anything contained in this Section 22.1 to the contrary, the laws of California will not be used to interpret and construe this Agreement to the extent that the Indiana Franchises Law (Indiana Code 23-2-2.5 et seq.) or the Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) require use of the laws of another jurisdiction to interpret and construe this Agreement.

7. Section 22.2 of the Agreement, under the heading "Applicable Law," is amended by deleting the words ". . . but not punitive damages, which are hereby waived by Franchisee and Franchisor" from the third sentence.

8. Section 22.2 is also amended by adding the following sentence to the end of the paragraph:

The parties agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the Claim to which it relates. Any such Claim which is not submitted or filed in such proceeding will be barred.

9. Although the Franchisor furnishes the information contained in this Indiana Addendum to the Franchise Agreement to every prospective franchisee who is potentially protected under the Indiana Deceptive Franchise Registration Practices Law, the Franchisor does not submit itself to the jurisdiction under the Indiana Deceptive Franchise Registration Practices Law merely by furnishing this Addendum. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Registration Practices Law are met independently without reference to this Addendum, and to the extent such provision is a then valid requirement of the statute.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

Franchisee

By: _____

Title: _____

FATBURGER NORTH AMERICA, INC.

By: _____

Title: _____

ADDENDUM TO FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND

Under Maryland law, the parties to the attached Fatburger North America, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," will be deleted in its entirety and will have no force or effect, and the following will be substituted in lieu thereof:

2.2.7 You will execute a general release, in a form prescribed by us, of any and all claims against us and our subsidiaries and affiliates, and our respective officers, directors, shareholders, agents, and employees, excluding only such claims as you may have under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg., 14-201 through 14-233);

2. Section 12.2.2.4 of the Agreement, under the heading "Transfer Of Interest," will be deleted in its entirety and will have no force or effect, and the following will be substituted in lieu thereof:

12.2.2.4 The transferor will have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, and our respective officers, directors, shareholders, agents, and employees, in their corporate and individual capacities, excluding only such claims as you may have under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg., 14-201 through 14-233);

3. Section 23 of the Agreement, under the heading "Acknowledgments," will be supplemented by the following Section 23.4:

23.4 The foregoing acknowledgments will not be construed as a waiver or release by you of any claims arising under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg., 14-201 through 14-233).

4. The provisions of this Addendum only apply if the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

The franchisor has filed an irrevocable consent to service of process in Maryland and a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

Franchisee

FATBURGER NORTH AMERICA, INC.

By: _____

By: _____

Title: _____

Title: _____

ADDENDUM TO FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA

Under the requirements of the Minnesota Franchise Act, the parties to the Fatburger North America, Inc. Franchise Agreement (the "Agreement") agree to amend the Agreement as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term and Renewal," is amended by deleting that section in its entirety.

2. Section 6 of the Agreement, under the heading "Proprietary Marks," is amended by adding the following as subsection 6.1.3 to the bottom of the section:

The Franchisor will protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

3. Section 12.2.2.4 of the Agreement, under the heading "Transfer by Franchisee," is amended by deleting that section in its entirety.

4. Section 13 of the Agreement, under the heading "Default and Termination," is amended by adding the following as subsection 13.4 to the bottom of the section:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Agreement.

5. Section 15.5 of the Agreement, under the heading "Covenants," is amended by deleting that section in its entirety.

6. Section 22 of the Agreement, under the heading "Applicable Law," is amended by adding the following as subsection 22.6 to the bottom of the section:

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Offering Circular, the Franchise Agreement or the Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

7. Section 22.4 of the Agreement, under the heading "Applicable Law," is amended by adding the words "seek to" before the word "obtain" in the first line of the section.

8. Minn. Rule Part 2860.4400J prohibits a Franchisee from waiving his or her rights to any procedure, forum or remedies, provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any language in the Agreement that would violate Minn. Rule Part 2860.4400J is hereby deleted.

9. Although the Franchisor furnishes the information contained in this Minnesota Addendum to Franchise Agreement to every prospective franchisee who is potentially protected under the Minnesota Franchise Act, the Franchisor does not submit itself to the jurisdiction under the Minnesota Franchise Act merely by furnishing this Addendum. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to this Addendum, and to the extent such provision is a then valid requirement of the statute.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

FATBURGER NORTH AMERICA, INC.

By: _____

By: _____

Title: _____

Title: _____

ADDENDUM TO FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK

Under New York General Law, the parties to the attached Fatburger North America, Inc. Franchise Agreement agree as follows:

1. Section 2.2.7. of the Agreement, under the heading "Term and Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

2.2.7. Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents, and employees in their corporate and individual capacities; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 7 of the Agreement, under the heading "Confidential Operations Manual," shall be supplemented by the addition of the following Section 7.5 at the end of the Section, which shall be considered an integral part of the Agreement:

7.5 Revisions to the Manuals shall not unreasonably affect Franchisee's obligations, including economic requirements, under this Agreement.

3. Section 12.1 of the Agreement, under the heading "Transfer by Franchisor," shall be supplemented by the following language, which shall be considered an integral part of the Agreement:

However, no assignment shall be made except to an assignee who, in the good faith judgment of the Franchisor, is willing and able to assume Franchisor's obligations under this Agreement.

4. Section 12.2.2.4. of the Agreement, under the heading "Transfer by Franchisee," shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

12.2.2.4. The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, and their officers, directors, shareholders, agents, and employees; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder shall remain in force; it

being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

5. Section 17.3. of the Agreement, under the heading "Independent Contractor and Indemnification," shall be supplemented by the addition of the following language:

However, Franchisee shall not be required to indemnify Franchisor for any claims arising out of a breach of the Agreement or other civil wrongs by the Franchisor.

6. Section 22.1 of the Agreement, under the heading "Applicable Law," shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

22.1 This Agreement shall be interpreted and construed exclusively under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules, provided, however, that if any of the provisions of this Agreement would not be enforceable under the laws of California, then such provisions shall be interpreted and construed under the laws of the state in which the Restaurant is located. The foregoing choice of law should not be considered a waiver of any right conferred upon Franchisee by General Business Law of New York State, Sections 680-695.

7. Section 22.4 of the Agreement, under the heading "Applicable Law," shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

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

8. There are circumstances in which an offering made by the Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. The Franchisor is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33. Notwithstanding the foregoing, the Franchisor does not submit itself to the jurisdiction under the New York General Business Law, Article 33, merely by furnishing such a prospectus.

9. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York Franchise Law are met independently without reference to this Addendum, and to the extent such provision is a then valid requirement of the statute.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

Franchisee

FATBURGER NORTH AMERICA, INC.

By: _____

By: _____

Title: _____

Title: _____

ADDENDUM
TO THE FRANCHISE AGREEMENT OF
FATBURGER NORTH AMERICA, INC.
REQUIRED BY THE STATE OF NORTH DAKOTA

1. Section 2.27 is deleted.

2. The following caveat is added to Section 15.2:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

3. The following language is added to Section 22.1:

“Provided, however, that in the event there is a conflict between California law and North Dakota law, then North Dakota law will prevail.”

4. The third and fourth sentences of Section 22.2 are deleted and replaced with the following:

“The three (3) arbitrators shall determine facts, apply the applicable law and award compensatory damages. Any such arbitration shall be conducted at facilities maintained by the American Arbitration Association for such purposes at a location agreeable to the parties. If the parties cannot agree on a location, the site of the arbitration shall be determined by the rules of the American Arbitration Association.”

5. Section 22.5 is deleted and replaced with the following:

“The prevailing party in any proceedings shall be entitled to reimbursement of all damages, costs and expenses including attorneys’ fees, from the other party.”

This Addendum only applies if the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

Dated: _____

FATBURGER NORTH AMERICA, INC.

FRANCHISEE:

By: _____
Title: _____

By: _____

ADDENDUM TO FATBURGER NORTH AMERICA, INC.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WASHINGTON

Under Washington law, the Franchise Agreement for Fatburger North America, Inc. in connection with the offer and sale of Fatburger franchises for use in the State of Washington must be modified to include the following:

The State of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

Any release or waiver of rights that you execute shall not include rights under the Washington Franchise Investment Protection Act except if you execute a negotiated settlement after your agreement is in effect and if we are both represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act and/or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

We may collect the transfer fees if they reflect our reasonable estimated or actual costs in effecting your transfer.

Although the Franchisor furnishes the information contained in this Washington Addendum to Franchise Agreement to every prospective franchisee who is potentially protected under the Washington Franchise Investment Protection Act, the Franchisor does not submit itself to the jurisdiction under the Washington Franchise Investment Protection Act merely by furnishing this Addendum. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this Addendum, and to the extent such provision is a then valid requirement of the statute.

The state of Washington may require us to state that some provisions in the Franchise Agreement may not be enforceable. However, we reserve the right to attempt to enforce each provision of the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the Franchise Agreement on the same day and year as that on which the Franchise Agreement was executed.

FATBURGER NORTH AMERICA, INC.

By: _____

By: _____

Title: _____

Title: _____