

ITEM 3. LITIGATION

Dos Coyotes LA, Inc.; DC Pasadena, LLC; and Toufic Hemaïdan v. Dos Coyotes Development Company, LLC (Superior Court, Los Angeles County, California Case No. BC662790, Filed May 27, 2017).

Plaintiffs executed a Primary Area Developer Agreement with Dos Coyotes Development Company, LLC for the Los Angeles, California area in March 2014. Plaintiffs filed a Civil Complaint alleging Breach of Contract; Breach of Implied Covenant of Good Faith and Fair Dealing; and violations of Franchise Investment Law (Corp. Code Sections 31119 and 31200); and served the Defendant on July 10, 2017. The lawsuit is still in the preliminary stages. We do not believe the claim has any merit and will vigorously defend this claim.

Other than this action, no litigation is required to be disclosed in this ITEM.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Area Development Agreements

We are primarily looking for franchisees who will commit to developing a minimum of 3 and preferably 5 or more Restaurants pursuant to an Area Development Agreement (“**ADA**”), which will contain a Development Schedule with deadlines for opening and operating a specified number of Restaurants (“**Required Restaurants**”).

The Developer must pay Us a nonrefundable Development Fee equal to the Initial Franchise Fee for the first Required Restaurant plus \$10,000 for each additional Required Restaurant. Our Initial Franchise Fee is \$40,000.

Each proposed Developer must submit a franchise application and questionnaire to Us. If We approve the Developer, You (or your designated legal entity) will execute an ADA, and will pay Us the Development Fee as discussed above.

As You develop each additional Required Restaurant, You will pay Us the Initial Franchise Fee less \$10,000 credit from the Development Fee paid for that Restaurant. The \$10,000 credit will apply only to Required Restaurants. There are no refunds of these payments.

Initial Franchise Fee

The initial franchise fee for each new franchise Restaurant is \$40,000. You must also pay Us an Opening Assistance Training Fee of \$10,000. You will receive any available credits from the Development Fee, as discussed above. The Franchise Agreement (**EXHIBIT A**) will typically be executed after Your management training is completed and Your site is approved, and before opening Your Restaurant. There are no refunds of any part of the Initial Franchise Fee.

ITEM 6. OTHER FEES

NAME OF FEE (1)	AMOUNT	DUE DATE
Franchise Royalty Fee	5% of Gross Sales (2)	Weekly (3)
Local Marketing Commitment	2% of Gross Sales (2)(4)	As Incurred
Marketing Production Fund Fee	Up to 1.5% of Gross Sales (2)(5)	Weekly (3)
Marketing Media Fund Fee	Up to 2.5% of Gross Sales (2)(5)	Weekly (3)
Supplier Approval Fee	Reasonable amount for Our costs and efforts (currently \$1,000)	Upon request for approval
Additional Training	Reasonable Fee (currently \$500 per day)(6)	Upon Invoice
Prototype Building Plans and Specifications	Reasonable Cost (currently \$1,500)	Upon Invoice
Late Payment Fees	\$250 plus interest on late amounts at 18% or highest legal rate	Upon Invoice
Attorney Fees	Reasonable amount to prevailing party in any legal proceeding	Upon conclusion of proceeding
Transfer Fee	25% of then current Initial Fee	Before actual transfer
Renewal Fee	50% of then current Initial Fee	Prior to Renewal
Audit	Reasonable Accounting and Legal Fees (7)	Upon invoice
Indemnification	Amount of claim and costs incurred (8)	Upon Demand

PLEASE SEE THE IMPORTANT FOOTNOTES ON THE NEXT PAGE.

This is a document preview downloaded from FranchisePanda.com. The full document is available for free by visiting: <https://franchisepanda.com/franchises/dos-coyotes>