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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 27, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-36556

EL POLLO LOCO HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3563182**
State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification No.)**
3535 Harbor Blvd., Suite 100, Costa Mesa, California	**92626**
(Address of principal executive offices)	**(Zip Code)**

(714) 599-5000

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**LOCO**	**The Nasdaq Stock Market LLC**
Rights to Purchase Series A Preferred Stock, par value $0.01 per share		**The Nasdaq Stock Market LLC**

Securities registered pursuant to section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 28, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common equity held by non-affiliates was approximately $168.0 million.

As of March 1, 2024, there were 31,282,820 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III hereof incorporates by reference certain portions of the registrant's definitive proxy statement for its 2024 annual meeting of stockholders to be filed not later than 120 days after the end of the registrant's 2023 fiscal year.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements because they do not relate strictly to historical or current facts. These statements may include words such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “outlook,” “potential,” “project,” “projection,” “plan,” “intend,” “seek,” “may,” “could,” “would,” “will,” “should,” “can,” “can have,” “likely,” the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those that we expected.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of the factors that could cause outcomes to differ materially from our expectations. These factors include, but are not limited to, those listed under “Item 1A. Risk Factors” of this report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission.

We caution you that the important factors included in this report may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the ways that we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Unless otherwise specified in this Annual Report on Form 10-K ("Annual Report"), or the context otherwise requires, terms "El Pollo Loco," "the Company," "our company," "we," "us," and "our" mean El Pollo Loco Holdings, Inc. ("Holdings"), together with its subsidiaries.

ITEM 1. BUSINESS

Our Company

El Pollo Loco is Spanish for "The Crazy Chicken." We opened our first location on Alvarado Street in Los Angeles, California, in 1980, and have grown our restaurant system to 495 restaurants, comprised of 172 company-operated and 323 franchised restaurants as of December 27, 2023. Our restaurants are located in California, Arizona, Nevada, Texas, Utah, Colorado and Louisiana. Our typical restaurant is a free-standing building with drive-thru service that ranges in size from 2,200 to 3,000 square feet with seating for approximately 50-70 people.

El Pollo Loco is a differentiated and growing restaurant concept that specializes in fire-grilling citrus-marinated chicken and operates in the limited service restaurant ("LSR") segment. We strive to offer food that integrates the culinary traditions of Mexico with the healthier lifestyle of Los Angeles. Our distinctive menu features our signature product, citrus-marinated fire-grilled chicken, as well as a variety of Mexican and LA-inspired entrees that we create from our chicken. We serve individual and family-sized chicken meals, a variety of Mexican and LA-inspired entrees and sides, and, throughout the year, on a limited-time basis, additional proteins like beef. Our entrees include favorites such as our Chicken Avocado Burrito, Pollo Fit entrees, chicken tostada salads, and Pollo Bowls. Our famous Creamy Cilantro dressings and salsas are prepared fresh daily, allowing our customers to create their favorite flavor profiles to enhance their culinary experience. Our distinctive menu with "better for you" and more affordable healthier alternatives appeals to consumers across a wide variety of socio-economic backgrounds and drives our balanced composition of sales throughout the day (our "day-part mix"), including at lunch and dinner.

The Company operates in one operating segment. All significant revenues relate to retail sales of food and beverages through either company or franchised restaurants. Financial information about our operations, including our revenues and expenses for fiscal 2023, 2022 and 2021, and our total assets as of the end of fiscal 2023 and 2022, is included in our "Audited Consolidated Financial Statements" and accompanying "Notes to Consolidated Financial Statements" in this Annual Report. See "Item 8. Financial Statements and Supplementary Data."

Market Trends and Uncertainties

On September 28, 2023, Governor Newsom signed AB 1228 into law, which repealed and replaced the Fast Food Accountability and Standards Recovery Act ("FAST Act") on January 1, 2024. Pursuant to AB 1228, the minimum wage at fast food restaurants that are part of brands which have more than 60 establishments nationwide will rise to $20 an hour on April 1, 2024, and a Fast Food Council created by AB 1228 will have limited power to approve annual wage increases until 2029. Under the law, the Fast Food Council will also have the power to develop and propose minimum standards for fast food workers, including standards for working hours, working conditions, and health and safety. As a result of AB 1228, we expect our labor and regulatory compliance costs will increase beginning in fiscal 2024 and that our results of operations and profitability will be adversely affected if we are not able to implement other measures to counter these increased costs.

We have experienced inflationary pressures affecting our operations in certain areas such as food cost, labor costs, construction costs and other restaurant operating costs. We have been able to substantially offset these inflationary and other cost pressures through various actions, such as increasing menu prices, managing menu mix, and productivity improvements. However, we expect these inflationary and other cost pressures to continue into fiscal year 2024 and we may not be able to offset cost increases in the future.

Our Industry

The restaurant industry is divided into two segments: full service and limited service. We operate within the broader LSR segment, and we strive to offer the food and dining experience of a fast-casual restaurant and the speed, value, and convenience of a quick-service restaurant ("QSR"). We strive to offer menu options that are made with fresh ingredients

and provide a "better for you" alternative to typical fast food, which are also inspired by the culinary and cultural traditions of Mexico and our hometown of Los Angeles.

Our Competitive Strengths

We believe that the following strengths differentiate us from our competitors and serve as the foundation for our continued growth:

Differentiated Restaurant Concept with Broad Appeal. We believe that our food, which combines the culinary traditions of Mexico with the healthier lifestyle of Los Angeles, served in contemporary restaurant environments at reasonable prices, positions us well to satisfy the needs of our core Hispanic family market and appeal to the broader general market who seek convenient and high-quality meals at reasonable prices. We provide our customers with the opportunity to enjoy citrus-marinated, fire-grilled chicken and Mexican-inspired entrees containing distinctive ingredients such as avocados, organic greens and serrano peppers at price points that appeal to a broad consumer base. We believe that our entree prices are typically lower than the fast-casual segment, and a slight premium to the QSR segment. We prepare our entrees to order in approximately four minutes and allow our customers the option to create their favorite flavor profiles using our freshly-prepared salsas before they enjoy their meals in our dining rooms or take their meals to go from the counter or the drive-thru. We also believe that our concept, which integrates the complexity of creating real food in real kitchens with the speed of our service model and the skill of our trained Grill Masters, provides a layer of competitive insulation around our restaurant model. We believe that our positioning appeals to a broad customer base, and that our brand crosses over traditional age, ethnic, and income demographics, giving consumers the best of both the fast-casual and QSR segments. We seek to position ourselves as a differentiated restaurant concept, which we believe sources traffic from both dining segments and, as a result, we expect it to drive transaction growth in the future.

Mexican-Inspired, Fresh-Made Fire-Grilled Chicken and Entrees. Our signature product is our chicken, marinated with a proprietary recipe of citrus juice, garlic, and spices, which serves as the foundation of our distinctive menu of flavorful bone-in chicken meals and entrees inspired by Mexico and LA. With menu items such as our signature individual chicken meals, family dinners, Chicken Tostada Salad, Pollo Bowl®, Chicken Avocado Burrito, and Double Chicken Avocado Salad, we believe that we offer our customers a "better for you" alternative to traditional food on-the-go. Our entrees are prepared using fresh ingredients with recipes inspired by Mexican cuisine. The majority of our menu items are prepared in-restaurant using fresh ingredients, including our bone-in chicken and chicken breast filets, rice, salsas, and cilantro dressing. These items start with our chicken, which is marinated in our restaurants daily. From there, our Grill Masters fire-grill and hand-chop our chicken to order. Our team members create our salsas, and cilantro dressings with fresh tomatoes, avocados, serrano peppers, and cilantro. In addition, our rice is seasoned and simmered in our restaurants throughout each day.

Our bone-in chicken meals and Mexican-inspired entrees accounted for 43% and 50% of our company-operated restaurant sales in 2023, respectively, 44% and 50%, respectively, in 2022, and 46% and 48%, respectively, in 2021. Our individual and family-sized chicken meals appeal to customers looking to dine at the restaurant or take out during dinnertime, while our Mexican-inspired entrees draw traffic from customers at lunchtime or for an afternoon snack, thereby enabling us to generate sales split almost equally between lunch and dinner. We believe that our family-sized chicken meals provide a "better for you" and more convenient alternative for families looking to solve the "dinnertime dilemma" of providing their families with high-quality meals without investing significant time or money. In 2023 approximately 26% of our company-operated sales were generated from family-sized meals, compared to 28% in 2022, and 31% in 2021.

Operations Infrastructure that Allows for Real-Time Control, Fast Feedback, and Innovation. We believe that satisfying our customers' dining needs is the foundation for our business, and we have an operations platform that allows us to measure our performance in meeting and exceeding those needs. We utilize an operations dashboard that aggregates real-time, restaurant-level information for many aspects of our business. The dashboard provides corporate and field management, as well as restaurant-level operators, with insight into how we are performing from the customer's perspective. In addition, all company operated restaurants utilize digital "communication boards," which communicate sales, cost and consumer data in real time to our restaurant managers.

Developing High Average Unit Volumes ("AUVs") and Strong Unit Economics One Chicken at a Time. We seek to position ourselves as a differentiated LSR business, which we believe drives restaurant operating results that are competitive with other leading restaurant concepts in both the fast-casual and QSR industry segments. We believe that

our restaurant model is designed to generate strong cash flow, consistent restaurant-level financial results, and high returns on invested capital. In 2023, our company-operated restaurants generated average annual sales per restaurant of approximately $2.2 million and restaurant-level contribution margins of 15.5%.

Experienced Leadership. Most of our senior management team has extensive operating experience in the restaurant industry. Members of the senior leadership team include Maria Hollandsworth as our interim President and Chief Executive Officer and Chief Operating Officer, Ira Fils as our Chief Financial Officer, Anne Jollay as our Chief Legal and People Officer, Brian Carmichall as our Chief Development Officer and Jill Adams as our Chief Marketing Officer.

Our Growth Strategy

We believe that we are well-positioned for sales growth because of our strong appeal to our core Hispanic family market, appeal to the broader general market, disciplined business model, and strong unit economics. Through 2019, our system experienced annual comparable restaurant sales growth for eight consecutive years. In 2023, 2022 and 2021, our comparable restaurant sales grew 0.3%, 5.9% and 12.1%, respectively. We plan to continue to expand our business, drive restaurant sales growth and increase company profits by executing our Strategic Plan, which consists of the following five key strategies:

Attract, Hire, and Retain Top Talent

We believe that success in the restaurant industry is highly correlated with employee engagement, which is dependent upon hiring, retaining, developing and motivating employees. We invest in competitive pay and leadership training to ensure that our managers have the tools they need to be effective leaders and motivating coaches. We continue to build a culture that embodies "Heart-Centered Leadership," which is predicated on servant-led leadership, employee recognition and community involvement. We believe that executing on our "Heart-Centered Leadership" model will result in a better and more meaningful work experience for our employees.

We believe that the key to building sustainable, consistent restaurant operations is through the development of a strong restaurant leader bench, including area managers, general managers, assistant managers and shift leaders. To that end, we have put a renewed focus on leadership development, not only to benefit our current restaurant base, but also to ensure we have the leaders necessary for the continued growth of the El Pollo Loco brand.

An important part of our culture and how our "Heart-Centered Leadership" manifests into the broader community is shown through our local support. In 2004, we created El Pollo Loco Charities, a non-profit charity, to support the communities surrounding our restaurants. El Pollo Loco Charities, together with the Company, have provided over 15,000 meals per year to underprivileged families, through organizations like Food on Foot, Habitat for Humanity, Children's Institute, and Court Appointed Special Advocates. We will continue to look for ways to expand upon the impact that El Pollo Loco Charities can have in the communities in which we serve.

EPL Hospitality

Serving our customers and delivering on exceptional hospitality begins with having an operations and training model that allows for consistent delivery of our products and services. We believe that simplifying our restaurant operations will further enhance our ability to attract and retain the best employees and further improve customer service. In 2023, we continued to implement initiatives to make it easier for our employees to operate our restaurants. These included eliminating low-volume menu items with unique ingredients or complex builds, like our Keto Burrito, as well as purchasing pre-chopped serrano peppers and fresh cilantro to reduce prep and ensure consistency and using a new equipment to simplify salsa production. Initiatives currently in test include a chicken holding cabinet, which improves overall quality and chicken availability during off-peak hours. These and other initiatives are intended to enable our restaurant employees to increase their focus on delivering exceptional hospitality and speed of service to our customers. We believe that this continued focus will lead to higher sales over the longer term.

Be Known For Our Famous Fire-Grilled Chicken

Our chicken is our differentiator. We marinate, grill, chop, and shred chicken every day in our restaurants to deliver delicious chicken meals, Mexican-inspired entrees, and family meals to our customers. Our grilled chicken is versatile and is offered in bone-in and boneless options, giving our customers choice and variety. Our chicken will continue to be

the focus of our advertising campaigns and consumer messaging, and we believe that we are positioned uniquely to be the alternative to fried chicken in the marketplace.

We believe that we are uniquely positioned within the LSR restaurant space. We will continue to adapt our menu to create family-sized dinner options and lunch entrees that complement our signature fire-grilled chicken and are inspired by the culinary and cultural traditions of Mexico and our hometown of Los Angeles. We believe that we have opportunities for menu innovation around different forms of chicken and portability as we look to increase customer frequency and earn share from the competition. In addition, we will continue to tap into the need for healthier offerings by building on the success of our fire-grilled chicken and "better for you" products. Our marketing and operations teams collaborate to ensure that the items developed in our test kitchen can be executed to our high standards in our restaurants with the convenience and value that our customers have come to expect.

We engage customers through our seasonal product calendar, which features existing product platforms, like our Double Chicken Tostadas and Stuffed Quesadillas, and limited-time offers like our Chopped Chicken Salads. Our key points of differentiation are communicated through our advertising campaign, which highlights the brand's authenticity, "better for you" menu options and dedication to high-quality ingredients. We tailor our message from television and direct mail, which garners broad exposure, to our Loco Rewards loyalty program and social media platform where we engage in more personalized marketing.

Digital-Centric In Service of Improving The Customer Experience

We believe that investing in consumer-facing technology is critical to further differentiating our brand and reaching customers for whom convenience and value are key decision factors. Our Loco Rewards loyalty program offers rewards that incentivize customers to visit our restaurants more each month. As of December 27, 2023, there were 3.7 million members in the Loco Rewards loyalty program, whom we target with segmented, dynamic campaigns with special offers tailored to each customer segment with the goals of increasing visit frequency and growing overall spend.

We also offer digital ordering through our mobile app, mobile web, and desktop web to provide convenient, easy ordering options for our customers. In addition to offering digital ordering through our website and mobile app, we participate in 3rd party delivery marketplaces. We currently have partnerships with DoorDash, Postmates, Uber Eats, and Grub Hub. As of December 27, 2023, DoorDash maintained exclusivity for delivery orders placed directly with our restaurants. For orders placed directly from the restaurant, no fee is charged to the restaurant as the full delivery cost is borne by the customer.

In total, during fiscal 2023, all digital and delivery orders including mobile and web orders constituted 12.0% of our total sales mix. As of December 27, 2023, all company-operated and franchise restaurants offered integrated delivery through a third-party service.

We plan to continue investing in our loyalty and delivery programs as well as other technology platforms to continue making it easier for customers to access our food.

Expand As An Asset Light Company

We believe that execution of our first four strategies will enable us to grow our restaurant base. Our restaurant model is designed to generate strong cash flow, attractive restaurant-level financial results and high returns on invested capital. During fiscal 2023, we opened five new stores, of which three were franchised and two were company-owned. One of these locations was our second in the greater Denver-area, a new market for El Pollo Loco. This location is performing well and provides another data point that our brand is poised to grow beyond core markets.

In addition to unit growth, we believe that remodels and refreshes to our existing fleet will keep El Pollo Loco relevant to our customers and keep them coming back. In 2023, we completed 15 company-operated restaurant remodels, and our franchisees completed 33 remodels. In 2024, we plan to continue our standard practices for remodels, including 15-20 company-operated and 40-50 franchised restaurants.

We expect future new unit development to be led by franchisees, through both in-fill in existing markets and expansion into adjacent and contiguous new markets. In order to expand into new markets, we believe that we need to source new

franchisees and, therefore, we expect to invest more resources in sourcing and onboarding them in the future, including franchise recruitment, franchise operations, and field marketing,

Site Selection and Expansion

Restaurant Development

We believe that our restaurant model is designed to generate strong cash flow, attractive restaurant-level financial results, and high returns on invested capital, which we believe provide us with a strong foundation for unit growth over the long-term. In 2023, two new company-operated restaurants were opened in Nevada and three new franchised restaurants were opened, one in California, one in Colorado, and one in Utah. In fiscal 2024, we intend to open two new company-operated restaurants in California and five to seven new franchised restaurants.

Site Selection Process

We consider the location of a restaurant to be a critical variable in its long-term success and as such, we devote significant effort to the investigation and evaluation of potential restaurant locations. Our in-house development team has extensive experience building such brands as Burger King, Carl's Jr., Jimmy John's, QDOBA, Baskin Robbins, Denny's and Dunkin' Brands. We use a combination of our in-house development team and outside real estate consultants to locate, evaluate, and negotiate new sites using various criteria, including demographic characteristics, daytime population thresholds, and traffic patterns, along with the potential visibility of, and accessibility to, the restaurant. The process for selecting locations incorporates management's experience and expertise and includes extensive data collection and analysis. Additionally, we use information and intelligence gathered from managers and other restaurant personnel that live in or near the neighborhoods that we are considering.

Based on our experience and results, we are currently focused on developing freestanding sites with drive-thrus along with select in-line locations. Our restaurants perform well in a variety of neighborhoods, which gives us greater flexibility and lowers operating risk when selecting new restaurant locations.

We approve new restaurants only after formal review by our real estate site approval committee, which includes some of our senior management, and we monitor restaurants' on-going performances to inform future site selection decisions.

Restaurant Construction

After identifying a lease site, we commence our restaurant build-out. Our new restaurants are either ground-up prototypes or retail space conversions. On average, it takes approximately 12 to 24 months from specific site identification to restaurant opening. Our restaurants are constructed in approximately 10 to 15 weeks. In order to maintain consistency of food and customer service, as well as our colorful, bright, and contemporary restaurant environment, we have set processes and timelines to follow for all restaurant openings.

Restaurant Management and Operations

Service

We are extremely focused on customer service. We aim to provide fast, friendly service on a solid foundation of dedicated, driven team members and managers. Our cashiers are trained on the menu items that we offer and offer customers thoughtful suggestions to enhance the ordering process. Our team members and managers are responsible for our service and dining room environment with a focus on hospitality. Team members seek to engage in conversation with our customers to ensure satisfaction. In addition, constant monitoring of the dining room occurs to ensure the beverage station is clean and supplied with products.

Operations

We utilize systems that are aimed at measuring our ability to deliver a "best in class" experience for our customers. These systems include customer surveys, social media ratings and speed-of-service performance trends. The operational results from all of these sources are then presented on an operations dashboard that displays the measures in an easy-to-read online format that corporate and restaurant-level management and franchisees can utilize in order to develop

specific plans for continuous performance improvement. In addition, all company operated restaurants utilize digital "communication boards", which communicate sales, costs and consumer data in real time to our restaurant managers.

We have food safety and quality assurance programs designed to maintain the highest standards for the food and the food preparation procedures that are used by both company-operated and franchised restaurants. We have a quality assurance team and employ third-party auditors that perform our workplace and food safety restaurant audits.

Managers and Team Members

Each of our restaurants typically has a general manager and two to three shift leaders and some restaurants have an assistant manager. There are between 15 and 35 team members per restaurant who prepare our food fresh daily and provide customer service. To lead our restaurant management teams, we have area leaders, each of whom is responsible for 7 to 9 restaurants. Overseeing the area leaders are three Regional Directors of Operations who report up to our Chief Operating Officer. Franchise operations are supported by four directors of franchise and a Vice President, Franchise Operations, who reports to the Chief Operating Officer.

Training

Our team members are the heart of El Pollo Loco, and it is our responsibility to equip them with the skills and knowledge necessary to deliver our high standards and commitments to the customer and team member experience. We strive to find ways to simplify our methodology and invest in elevating our team members and leaders. In a rapidly evolving landscape, effective training depends not only on the quality of content but also on delivery methods. We believe in a blended approach to training to capture all audiences by integrating digital technology and traditional hands-on training activities. To engage our growing base of multi-generational employees, we employ a Learning Management System called Pollo Zone, a tablet-based interactive learning tool. This platform is a central hub for all training efforts and features individual learner profiles to support engagement and accountability on our path toward investing in our people and their growth.

Franchise Program

We use a franchising strategy to increase new restaurant growth in certain markets, leveraging the ownership of entrepreneurs with specific local market expertise and requiring a relatively minimal capital commitment by us. As of December 27, 2023, we had a total of 323 franchised restaurants. Franchisees range in size from single-restaurant operators to our largest franchisee, which owned 70 restaurants as of December 27, 2023. Our existing franchise base consists of many successful, longstanding, multi-unit restaurant operators. As of December 27, 2023, approximately 86% of franchised restaurants were owned and operated by franchisees that had been with us for over 20 years.

We believe that the franchise revenue generated from our franchise base has historically served as an important source of stable and recurring cash flows to us, and we accordingly plan to expand our base of franchised restaurants. In existing markets, we encourage growth from current franchisees. In our expansion markets, we seek highly-qualified and experienced new franchisees for multi-unit development opportunities.

We believe that creating a foundation of initial and on-going support is important for future success, both for our franchisees and for our brand. Therefore, we have structured our corporate staff, programs, and communication systems to ensure that we are delivering high-quality support to our franchisees.

Our franchise training program is a key element in ensuring our franchise owners and their managers are equipped with the knowledge and skills necessary for success. The program introduces new franchise members to El Pollo Loco with hands-on training in the operation and management of our restaurants. This foundational training is conducted by a general training manager who has been certified by our operations group. Training must be successfully completed before a trainee can be assigned to a restaurant as a manager.

Once introductory training has been completed, we offer a path toward constant learning for all crew members by providing instructional materials that span management training, operations, new product introductions, food safety and a number of other essential restaurant functions. Many of these programs are distributed through Pollo Zone that provides our franchise owners with real-time access to the progress of learning in their restaurants.

Marketing and Advertising

We strive to distinguish the El Pollo Loco brand by building brand equity that we believe not only accentuates our strengths but also deepens the strong emotional connections we have with our customers. We promote our restaurants and products by emphasizing our points of differentiation, which include our Mexican heritage, our fresh ingredients and made-from-scratch preparation, and the cooking of our citrus-marinated chicken on open fire grills in our kitchens, as well as the convenience and quality we offer for families.

We use multiple marketing channels, including television, radio and digital. We advertise on local broadcast and cable television. We use both traditional and digital media channels to have targeted advertising to reach our audience segments.

Through our public relations efforts, we engage notable food editors, influencers and bloggers on a range of topics to help promote our products. In addition, we engage in one-on-one conversations using a portfolio of social media platforms, including Facebook, TikTok, Instagram, Threads, and X (formerly Twitter). We also use social media as a research and customer service tool, and apply insights gained to future marketing efforts.

Our Loco Rewards loyalty program uses points, rewards, and offers to build engagement with our customers. Customers access the program on elpolloloco.com and the El Pollo Loco iOS Apple and Android app. We build segmented, dynamic campaigns with special offers tailored to each customer segment with the goals of increasing visit frequency and growing overall spend. To keep customers engaged with the program, unannounced offers, called “Surprise and Delights” are awarded based on that customer’s transaction history. We communicate offers, loyalty updates and other Loco Rewards campaigns to customers via in-app messaging, mobile phone push notifications and email.

Our online ordering program makes it easy for customers to skip the line and order ahead. Available at every location and accessible from elpolloloco.com or the El Pollo Loco mobile app, any order can be placed and paid for before arriving at the restaurant. El Pollo Loco has partnered with Postmates, DoorDash, UberEats and Grubhub as additional methods for ordering. El Pollo Loco also operates direct delivery via elpolloloco.com or the Loco Rewards App, which is exclusively fulfilled by DoorDash.

Purchasing and Distribution

Maintaining a high degree of quality in our restaurants depends in part on our ability to acquire fresh ingredients, and other necessary supplies that meet our specifications, from reliable suppliers. We regularly inspect our vendors to ensure that products purchased conform to our standards and that prices offered are competitive. We have a quality assurance team and third-party accredited auditors that perform comprehensive supplier audits on a frequency schedule based on the potential food safety risk for each product. We contract with McLane Company (our “primary distributor”), a major foodservice distributor, for substantially all of our food and supplies, including the poultry that our restaurants receive from suppliers. Our primary distributor delivers supplies to most of our restaurants two to three times per week. Our restaurants in Texas, Louisiana and Colorado utilize regional distributors for produce. Our franchisees are required to use our primary distributor or an approved regional distributor, and franchisees must purchase food and supplies from approved suppliers. Poultry is our largest product cost item and represented approximately 36% of our total food and paper costs for 2023. Fluctuations in supply and in price can significantly impact our restaurant service and profit performance. We actively manage cost volatility for poultry by negotiating with multiple suppliers and entering into what we believe are the most favorable contract terms given existing market conditions. In the past, we have entered into contracts ranging from one to two years depending on current and expected market conditions. We currently source poultry from six suppliers, with three accounting for approximately 70% of our purchases for fiscal 2024. More than half of our poultry purchases have a fixed price through the end of 2024.

Intellectual Property

We have registered El Pollo Loco ® , Pollo Bowl ® , The Crazy Chicken ® , and certain other names used by our restaurants as trademarks or service marks with the U.S. Patent and Trademark Office, and El Pollo Loco ® in approximately 45 foreign countries and the European Union. In addition, the El Pollo Loco logo, website name and address, Facebook, Twitter, Instagram and YouTube accounts are our intellectual property. Our policy is to pursue and maintain registration of service marks and trademarks in those countries where business strategy requires us to do so, and to oppose vigorously any infringement or dilution of the service marks or trademarks in those countries. We

maintain the recipe for our chicken marinade, as well as certain proprietary standards, specifications, and operating procedures, as trade secrets or as confidential proprietary information.

Competition

We operate in the restaurant industry, which is highly competitive and fragmented. The number, size, and strength of competitors varies by region. Our competition includes a variety of locally-owned restaurants and national and regional chains that offer dine-in, carry-out, and delivery services.

We believe that competition within the fast-casual restaurant segment is based primarily on ambience, price, taste, quality, and freshness of menu items, as well as on the convenience of drive-thru service. We also believe that QSR competition is based primarily on quality, taste, speed of service, value, brand recognition, restaurant location, and customer service. In addition, we compete with franchisors of other restaurant concepts for prospective franchisees.

Environmental Matters

Our operations are subject to federal, state, and local laws and regulations relating to environmental protection, including regulation of discharges into the air and water, storage and disposal of liquid and solid waste, and clean-up of contaminated soil and groundwater. Under various federal, state, and local laws, an owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, in, or emanating from that property. Such liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances.

Certain of our properties may be located on sites that we know or suspect have been used by prior owners or operators as retail gasoline stations. Such properties previously contained underground storage tanks ("USTs") for gasoline storage, and while we are not aware of any sites with USTs remaining, it is possible that some of these properties may currently contain abandoned USTs. We are aware of contamination from a release of hazardous materials by a previous owner or operator at two of our owned properties and one of our leased properties. We do not believe that we have contributed to the pre-existing contamination at any of these properties. The appropriate state agencies have been notified, and these issues are being handled without disruption to our business. It is possible that petroleum products and other contaminants may have been released at other properties into the soil or groundwater. Under applicable federal and state environmental laws, we, as the current owner or operator of these sites, may be jointly and severally liable for the costs of investigation and remediation for certain contamination. Although we lease most of our properties, and, when we own, we obtain certain assurances from the prior owner or often obtain indemnity agreements from third parties, we may nonetheless be liable for environmental conditions relating to our prior, current, or future restaurants or restaurant sites. If we were found liable for the cost of remediation of contamination at, or emanating from, any of our properties, our operating expenses would likely increase and our operating results would likely be adversely affected and, in extraordinary circumstances, our operating results could be materially affected.

Since 2000, we have obtained "Phase One" Environmental Site Assessments (assessing whether current or historical property uses have impacted soil or groundwater beneath the property, posing a threat to the environment and/or human health) for new restaurants. Where warranted, we obtain updated reports, and, if necessary, in rare cases, we obtain "Phase Two" Environmental Site Assessments (evaluating the presence or absence of petroleum products or hazardous substances via soil and/or groundwater sampling). We have not conducted a comprehensive subsurface environmental review of all of our properties or operations. No assurance can be given that we have identified all of the potential environmental liabilities at our properties or that such liabilities will not have a material adverse effect on our financial condition.

Regulation and Compliance

We and our franchisees are subject to various federal, state and local laws and regulations that govern our business operations, including those governing:

- employment and wage and hour practices, including, but not limited to, minimum wage rates, overtime, meal and rest periods, prevention of discrimination, harassment, and retaliation, employment of minors, paid and family leave, unemployment tax rates, workers' compensation rates, suitable seating, and citizen requirements, and other working conditions;

- privacy and data security, including the collection, maintenance and use of information regarding employees and guests;
- compliance with the Americans with Disabilities Act and similar laws affording various protections and accommodations to employees and guests with disabilities;
- environmental practices, including the discharge, storage, handling, release and disposal of hazardous or toxic substances; regulation of discharges into the air, water and soils, storage and disposal of liquid and solid waste, and clean-up of contaminated soil and groundwater, and regulations restricting the use of straws, utensils and the certain packaging materials;
- compliance with Federal Trade Commission and laws that govern the franchisor-franchisee relationship, including the offer and sale of franchises and certain disclosures to franchisees;
- the preparation, sale and labeling of food, including regulations of the Food and Drug Administration, which oversees the safety of the entire food system, including inspections and mandatory food recalls, menu labeling and nutritional content;
- working hours and working conditions, health, sanitation, safety and fire standards, building and zoning requirements, public accommodations and safety conditions, environmental matters, and data privacy;
- building and zoning requirements, including state and local licensing and regulation governing the design and operation of facilities and land use; and
- health and sanitation and public safety.

We require each of our franchise partners to comply with all federal, state and local laws and regulations. We have processes in place to monitor our own compliance with the numerous, complex, applicable laws and regulations governing our operations.

Other than as described above, the Company's compliance with federal, state or local laws and regulations, including environmental laws, is not expected to materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict what laws will be enacted in the future, or how existing or future laws will be administered, interpreted or enforced. We also cannot predict the amount of future expenditures that we may need to make to comply with, or to satisfy claims and lawsuits relating to, these various laws and regulations. Further, more stringent and varied requirements of local government bodies with respect to zoning, land use and environmental factors could delay construction and increase development costs for new restaurants. Moreover, although we have not experienced, and do not anticipate, any significant problems in obtaining required licenses, permits, or approvals, any difficulties, delays, or failures in obtaining such licenses, permits, registrations, exemptions, or approvals could delay or prevent the opening of, or adversely impact the viability of, a restaurant in a particular area. Additionally, a significant portion of our hourly staff is paid at minimum wage rates consistent with the applicable federal, state, or local laws and, accordingly, increases in the applicable minimum wage will increase our labor costs. We are also subject to the Americans with Disabilities Act, which prohibits discrimination on the basis of disability in public accommodations and employment, and which may require us to design or modify our restaurants to make reasonable accommodations for disabled individuals.

See Item 1A "Risk Factors" and "Environmental Matters" above in this Form 10-K for a discussion of risks relating to federal, state, local and regulation of our business.

Management Information Systems

All of our company-operated and franchised restaurants use computerized point-of-sale and back-office systems, which we believe can scale to support our long-term growth plans. Our point-of-sale system provides a touch-screen interface and is integrated with segmented Europay, Mastercard and Visa tokenized high speed credit and gift card processing hardware. Our point-of-sale system is used to collect daily transaction data, which provides daily sales and product mix information that we actively analyze.

Our in-restaurant back-office computer system is designed to assist in the management of our restaurants and to provide labor and food cost management tools. The system also provides corporate headquarters and restaurant operations management quick access to detailed business data, and reduces the time spent by restaurant managers on administrative needs. The system further provides sales, bank deposit, and variance data to our accounting department on a daily basis. For company-operated restaurants, we use this data to generate weekly consolidated reports regarding sales and other key measures, as well as preliminary weekly profit and loss statements for each location, with final reports following the end of each period.

Human Capital

As of December 27, 2023, we had approximately 4,362 employees, of whom approximately 4,213 were hourly restaurant employees comprised of 3,371 crewmembers, 183 general managers/acting general managers, 98 assistant managers, 541 shift leaders, and 20 employees in limited-time roles as acting managers or as managers in training. The remaining 149 employees were corporate and office personnel. None of our employees are part of a collective bargaining agreement, and we believe that our relationships with our employees are satisfactory.

We believe our efforts to maintain solid relationships with our employees are effective and are grounded in our company values. Our primary human capital objective is employee engagement, which is dependent upon hiring, retaining, developing and motivating employees. We strive to build a culture centered around our mission, which is to "Feed the Love that Makes Us All Feel Like Family" and "Heart-Centered Leadership." We believe this mission is predicated on servant-led leadership, employee recognition and community involvement. We offer our employees both online and on-the-job training. Restaurant management trainees participate in comprehensive, multi-week training programs touching on all aspects of the operations, including restaurant leadership. We provide key restaurant leadership roles with a quarterly cash-based performance bonus awards. Our corporate employees are provided an annual performance bonus award. We also have an equity incentive compensation plan to provide certain management-level or other key employees with stock-based awards. We monitor our progress with metrics such as employee performance measures, turnover rates and restaurant customer surveys.

The health and well-being of our employees and guests have always been and continues to be our top priority. We have maintained enhanced safety measures to help protect the health and well-being of all of our employees.

Seasonality

Seasonal factors, including weather and the timing of holidays, cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters due to reduced January and December transactions and higher in the second and third quarters. As a result of seasonality, our quarterly and annual results of operations and key performance indicators such as company restaurant revenue and comparable restaurant sales may fluctuate.

Available Information

We make available free of charge on our Internet website our Annual Reports, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Our Internet address is www.elpolloloco.com. The contents of our Internet website are not part of this annual report, and are not incorporated by reference. Our Internet address is provided as an inactive textual reference only.

The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC, at http://www.sec.gov.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors, as well as other information contained in this report, including our financial statements and the notes related to those statements. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flow.

Risks Related to Our Operations

We may be unsuccessful in opening new company-operated or franchised restaurants or in establishing new markets, which could adversely affect our growth.

One of the key means to achieving our growth strategy is and will be through opening new restaurants and operating those restaurants on a profitable basis. We opened two new company-operated restaurants in fiscal 2023 and plan to

open two in fiscal 2024. Our franchisees opened three new restaurants in fiscal 2023 and plan to open five to seven in fiscal 2024.

The ability to open new restaurants is dependent upon a number of factors, many of which are beyond our control, including our and our franchisees' abilities to: identify available and suitable restaurant sites; compete for restaurant sites; reach acceptable agreements regarding the lease or purchase of locations; obtain or have available the financing required to acquire and operate a restaurant, including construction and opening costs; respond to unforeseen engineering or environmental problems with leased premises; avoid the impact of inclement weather and natural and man-made disasters; hire, train, and retain the skilled management and other employees necessary to meet staffing needs; obtain, in a timely manner and for an acceptable cost, required licenses, permits, and regulatory approvals; respond effectively to any changes in local, state, and federal law and regulations that adversely affect our and our franchisees' costs or abilities to open new restaurants; and control construction and equipment cost increases for new restaurants.

If we are unable to successfully manage these risks and open new restaurants or sign new franchisees as anticipated, or if restaurant openings are significantly delayed, we could face increased costs and lower than anticipated sales and earnings in future periods.

As part of our longer-term growth strategy, we may enter into geographic markets in which we have little or no prior operating or franchising experience, including through company-operated restaurant growth and franchise development agreements. For example, in May 2023, we announced the signing of three new development agreements covering territories in Northern Colorado, where we currently have two restaurants, and New Mexico and El Paso, Texas, where we currently do not have any restaurants. The challenges of entering new markets include (i) difficulties in hiring and training experienced personnel, (ii) unfamiliarity with local real estate markets and demographics, (iii) consumer unfamiliarity with our brand, and (iv) competitive and economic conditions, consumer tastes, and discretionary spending patterns that are different from and more difficult to predict or satisfy than in our existing markets. Any failure on our part to recognize or respond to these challenges may adversely affect the success of any new restaurants. Expanding our franchise system requires the implementation, expense, and successful management of enhanced business support systems, management information systems, and financial controls, as well as additional staffing, franchise support, and capital expenditures and working capital.

Due to brand recognition and logistical synergies, as part of our growth strategy, we also intend to open new restaurants in areas where we have existing restaurants. The operating results and comparable restaurant sales for our restaurants could be adversely affected due to increasing proximity among our restaurants and due to market saturation.

We may not be able to compete successfully, including with other quick-service and fast casual restaurants.

The food service industry, and particularly its QSR and fast casual segments, is intensely competitive. Competition in our industry is primarily based on price, convenience, quality of service, brand recognition, restaurant location, and type and quality of food, and our market position is based on balancing price and quality. These competitive factors are particularly applicable in markets in which we have expanded relatively rapidly or are recently expanding, such as Texas and Colorado. In addition, the greater Los Angeles area, the primary market in which we compete, consists of what we believe to be the most competitive Mexican-inspired QSR and fast casual market in the United States. We expect competition in this market and in each of our other markets to continue to be intense, because consumer trends are favoring LSRs that offer healthier menu items made with better-quality products, and many LSRs are responding to these trends. Moreover, we may also compete with companies outside the QSR and fast casual segment of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of several major grocery store chains, including those targeted at consumers who want higher-quality food, as well as from convenience stores, cafeterias and other dining outlets. Meal kit delivery companies and other eat-at-home options also present some degree of competition for our restaurants. If our company-operated and franchised restaurants cannot compete successfully, especially with other QSR and fast casual restaurants, in new and existing markets, we could lose customers and our revenue could decline, which may materially and adversely affect our business, financial condition, and results of operations.

We are vulnerable to changes in political and economic conditions and consumer preferences.

The restaurant industry is dependent upon consumer discretionary spending, which may be affected by general global economic conditions or other business conditions that may affect the desire or ability of our customers to purchase our products, including recessions or inflationary pressures, which have caused, and may continue to cause, increased labor, commodity and other restaurant operating costs. In addition, we may be affected by higher consumer debt and interest rates, adverse conditions in the mortgage housing markets, high unemployment levels, increases in gas prices, declines in median income growth, lower consumer confidence, lower consumer discretionary spending and uncertainties due to geopolitical turmoil and potential national or international security concerns. If the economy experiences a significant decline, our business, results of operations, our ability to access the capital markets and our ability to comply with the terms of our secured revolving credit facility could be materially and adversely affected, and we and our franchisees might decelerate the number and timing of new restaurant openings and/or the number of planned restaurant remodels. An actual or feared outbreak of disease, epidemic or pandemic, changes to regional or local economic conditions affecting consumer spending, or increased food or energy costs could also reduce consumer transactions or impose practical limits on pricing that could harm our business, financial condition, results of operations, and cash flow. In addition, political developments regarding U.S. relations with Mexico may harm our business. For example, increases in tariffs, restrictions on trade, or deterioration in American political or economic relations with Mexico could harm our brand and profitability. Changes in trade, labor, or immigration policy could raise our input prices, or reduce the supply of immigrants, who are in many cases our customers or employees, diminishing our sales and increasing our labor costs. In addition, factors that decrease consumer spending or increase security costs, such as social unrest, terrorist attacks or military action, may adversely affect our business.

Additionally, changes in consumer health perceptions or trends in eating habits may also adversely affect our business if we are unable to effectively adapt our menu offerings. Our success is dependent upon continued customer acceptance of our Mexican-inspired food and customer health perceptions regarding our products. A decrease in American consumers' interest in Mexican-inspired food or chicken-based food, or changes in customer health perceptions of our food, could harm our brand and profitability. We cannot make any assurances regarding our ability to effectively respond to changes in consumer preferences or our ability to develop new products that appeal to consumer preferences.

If we are unable to attract, develop, assimilate, and retain employees, we may not be able to grow or successfully operate our business.

Our success depends in part upon our ability to attract, train, assimilate, and retain a sufficient number of employees, including crewmembers, managers and shift leaders, who understand and appreciate our culture, are able to represent our brand effectively and establish credibility with our customers. If we are unable to hire and retain restaurant employees capable of consistently providing a high level of customer service, understanding of our customers, and knowledge of our offerings, our ability to open new restaurants may be impaired, the performance of our existing and new restaurants could be adversely affected, and our brand image may be negatively impacted. Our growth strategy will require us to attract, train, and assimilate even more restaurant employees. Our ability to do so may be adversely affected by labor shortages.

Our business could be negatively affected by regional geographic concentrations.

Our company-operated and franchised restaurants in the greater Los Angeles area generated, in the aggregate, approximately 71.3% of our revenue in fiscal 2023 and approximately 71.2% in fiscal 2022. Adverse changes in demographic, unemployment, economic, or regulatory conditions in the greater Los Angeles area or in the State of California, including, enforcement policies for and changes in immigration law, have had and may continue to have material adverse effects on our business.

We also may be negatively affected by weather conditions specific to the Los Angeles region, including fires, earthquakes, or other natural disasters. Additionally, outside of Los Angeles, many of our restaurants are clustered around major cities in Northern California, Texas, and elsewhere, and prolonged or severe inclement weather could affect our sales at restaurants in locations that experience such conditions. Localized disasters, especially exacerbated by climate change, including wildfires, hurricanes, and flooding, could impair our assets and operations in those areas. Any other events disrupting businesses, consumer discretionary spending or our employee population in the greater Los Angeles area could also have an outsized negative impact on our business or results of operations.

Our inability or failure to execute our business continuity and response plan following a major disaster such as a natural disaster, terrorism, social unrest or a cybersecurity incident affecting our corporate facilities could materially adversely affect our business.

Our corporate systems and support for our restaurant operations are handled primarily at our corporate headquarters. We have business continuity and response plans in place to address major disasters, including natural disasters such as earthquakes, hurricanes, flooding and wildfires, as well as man-made disasters such as terrorism, social unrest and cybersecurity incidents. However, if we are unable or fail to fully implement such plans, we may be unable to carry out essential corporate functions or we may be delayed in our recovery of data or required reporting and compliance, which could have a material adverse effect on our business or expose us to legal liabilities. In addition, threats from major disasters are constantly evolving, which may make it difficult for us to predict, plan for and protect against such threats, and our business continuity and response plan may not adequately address or protect against all threats we face.

Our long-term success depends in part on our ability to effectively identify and secure appropriate sites for new restaurants.

In order to build new restaurants, we must first identify markets where we can enter or expand our footprint, taking into account numerous factors, including the location of our current restaurants, local economic trends, population density, area demographics, cost of construction and real estate and geography. Then we must secure appropriate restaurant sites, which is one of our biggest challenges. There are numerous factors involved in identifying and securing an appropriate restaurant site, including: evaluating size of the site, traffic patterns, local retail, residential and business attractions and infrastructure that will drive high levels of customer traffic and sales; competition in new markets, including competition for restaurant sites; financial conditions affecting developers and potential landlords, such as the effects of macro-economic conditions and the credit market (including the potential for rising interest rates), which could lead to these parties delaying or canceling development projects (or renovations of existing projects), in turn reducing the number of appropriate restaurant sites available; developers and potential landlords obtaining licenses or permits for development projects on a timely basis; proximity of potential restaurant sites to existing restaurants; anticipated commercial, residential and infrastructure development near the potential restaurant site; and availability of acceptable lease terms and arrangements, including construction costs.

In addition, competition for restaurant sites in our target markets can be intense, and development and leasing costs are increasing. Given the numerous factors involved, we may not be able to successfully identify and secure attractive restaurant sites in existing, adjacent or new markets, or we may fail to develop, profitably operate or meet our projections for new restaurants at such sites, which could have a material adverse effect on our business, financial condition and results of operations.

We have incurred, and may continue to incur, significant impairment of certain of our assets, in particular in our new markets.

The recognition of impairment charges may adversely affect our future operations and results. In assessing the recoverability of our property and equipment assets, we consider changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. There is uncertainty in the projected undiscounted future cash flows used in our impairment review analysis, which requires the use of estimates and assumptions. If actual performance does not achieve the projections, or if the assumptions used change in the future, we may be required to recognize impairment charges in future periods, and such charges could be material. Given the difficulty in projecting results for newer restaurants in newer markets, as well as the impact of the current macroeconomic environment, we monitor the recoverability of the carrying value of the assets of several restaurants on an ongoing basis. Asset impairments to new units or future capital expenditures could present additional exposure. Closures could also require additional expenditures. Furthermore, franchised unit closings could result in the loss of franchise revenue and have other adverse effects on us.

Changes in food, supply costs, especially for chicken, labor, construction and utilities could adversely affect our business, financial condition, and results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in the cost of food, supplies, labor, construction and utilities. In 2023, the costs of certain commodities, labor, and other inputs necessary to operate our restaurants have increased. In addition, we are susceptible to increases in food costs as a result of factors beyond our

control, such as general economic conditions, seasonal economic fluctuations, weather conditions including wildfires and flooding, global demand, food shortages, food safety concerns, infectious diseases, fluctuations in the U.S. dollar, cyber-attacks, transportation issues, product recalls, and government regulations, including tariffs and other import restrictions on foreign produce and other goods. In 2022 and continuing into 2023, for example, we experienced inflationary pressures due to supply chain disruptions that adversely impacted and may continue to adversely impact our business and results of operations. Environmental and weather-related issues, which have been exacerbated by climate change, such as freezes, drought, wildfires, hurricanes and flooding, may also lead to increases, temporary or permanent, or spikes in the prices of some ingredients, such as produce and meat. Any increase in the prices of the ingredients most critical to our menu, in particular chicken, as well as corn, cheese, avocados, beans, rice, and tomatoes, could adversely compress our margins, or cause us to raise our prices, reducing customer demand. Alternatively, in the event of cost increases with respect to one or more of our raw ingredients, we might choose to temporarily suspend serving menu items, such as guacamole or one or more of our salsas, rather than pay the increased cost. Additionally, as a substantial volume of produce and other items are procured from Mexico, and occasionally other countries including Chile and Peru, any new or increased import duties, tariffs or taxes, or other changes in U.S. trade or tax policy could result in higher food and supply costs that would adversely impact our financial results. Any such changes to our menu prices or available menu could negatively impact our restaurant transactions, business, and comparable restaurant sales during the shortage and thereafter.

Our principal food product is chicken. In fiscal 2023, 2022, and 2021, the cost of chicken included in our product cost was approximately 10.0%, 11.0%, and 9.9%, respectively, of our revenue from company-operated restaurants. Material increases in the cost of chicken could materially and adversely affect our business, operating results, and financial condition. Changes in the cost of chicken are impacted by a number of factors, including seasonality, increases in the cost of grain, disease, and other factors that affect domestic and international supply of and demand for chicken products. Additionally, environmental and animal rights regulations or voluntary programs have in the past led to increases, and could lead to future increases in, the cost or supply of chicken and other foods. We often ask our suppliers to use fixed price contracts or other financial risk management strategies to reduce potential price fluctuations in the cost of chicken and other commodities. We have implemented menu price increases in the past to significantly offset increased chicken prices, due to competitive pressures and compressed profit margins. We may not be able to offset all or any portion of increased food and supply costs, or labor, construction and utility costs through higher menu prices in the future. If we implement further menu price increases in the future to protect our margins, average check size and restaurant transactions could be materially and adversely affected, at both company-operated and franchised restaurants.

Public health crises, including the COVID-19 pandemic have had, and may in the future have, a significant negative impact on our business, sales, results of operations and financial condition.

Pandemics, epidemics or other public health crises, including COVID-19, have disrupted, and may continue to disrupt, our restaurant operations, including by causing temporary closures of some restaurants, closures of dining rooms, limited capacity restrictions and/or decreased operating hours for some restaurants due to government mandates and/or staffing shortages.

If future public health emergencies, including additional surges of COVID-19, at a significant number of our locations require us to temporarily close those locations for disinfection or result in a large number of our employees becoming ill or quarantined and being unable to work, our business and results of operations could be further adversely affected, which may also impact our financial condition.COVID-19 or other public health crises may also adversely affect our ability to implement our growth plans, including delays in the opening or construction of new restaurants or the remodel of existing restaurants.

If in the event of another public health crisis or if COVID-19 conditions reemerge, our sales and operating costs may be materially adversely affected, which could impact our asset values, including goodwill, derivative instruments and property and equipment assets, as well as our ability to meet certain covenant provisions in our debt arrangements in future periods, and have a material adverse effect on our financial results, future operations and liquidity.

Even after a new public health crisis has subsided, we may continue to experience negative impacts to our financial results due to the public health's crisis impact on the economy in general, globally, nationally and in the locate markets in which we operate, including the availability of credit generally, adverse impacts on our liquidity, and/or decreases in consumer discretionary spending that depress demand for our products. In addition, the perceived risk of infection or a resurgence or concern of a resurgence of COVID-19 or other diseases may continue to adversely affect traffic to our restaurants and, in turn, may have a material adverse effect on our business, liquidity, financial condition and results of

operations. We are also subject to all of the foregoing risks in connection with the outbreak of other diseases, epidemics or pandemics, or similar public threats or fear of such events.

Social media and negative publicity could have a material adverse impact on our business.

Negative publicity, including information posted on social media platforms, at one or more of our restaurants relating to food safety, sanitation, employee relationships or other matters can adversely affect us, regardless of whether an allegation is valid or whether we are held to be responsible. Adverse information posted on social media platforms can quickly reach a wide audience and resulting harm to our reputation may be immediate, without affording us an opportunity to correct or otherwise respond to the information. It is challenging to monitor and anticipate developments on social media in order to respond in an effective and timely manner. As a result, social media may exacerbate the risks we face related to negative publicity. In addition, the negative impact of any adverse publicity relating to one restaurant may extend far beyond the restaurant involved to affect some or all of our other restaurants, including our franchised restaurants. The risk of negative publicity is particularly great with respect to our franchised restaurants, because we are limited in the manner in which we can regulate them, especially on a real-time basis. A similar risk exists with respect to food service businesses unrelated to us, if customers mistakenly associate those unrelated businesses with our operations.

A variety of additional risks associated with our use of social media include the possibility of improper disclosure of proprietary information, exposure of personally identifiable information of our employees or guests, fraud, or the publication of out-of-date information, any of which may result in material liabilities or reputational damage. Furthermore, any inappropriate use of social media platforms by our employees could also result in negative publicity that could damage our reputation, or lead to litigation that increases our costs.

Our ability to continue to expand our digital business, delivery orders and catering is uncertain, and these new business lines are subject to risks.

We rely on third-party providers to fulfill delivery orders, and the ordering and payment platforms used by these third parties, or our mobile app or online ordering system, could be damaged or interrupted by technological failures, user errors, cybersecurity incidents or other factors, which may adversely impact our sales through these channels and could negatively impact our brand. Additionally, our delivery partners may make errors or fail to make timely deliveries, leading to customer disappointment that may negatively impact our brand. We also incur additional costs associated with using third-party service providers to fulfil these digital orders. Moreover, the third-party restaurant delivery business is intensely competitive, with a number of players competing for market share, online traffic, capital, and delivery drivers and other people resources. The third-party delivery services with which we work may struggle to compete effectively, and if they were to cease or curtail operations or fail to provide timely delivery services in a cost-effective manner, or if they give greater priority on their platforms to our competitors, our delivery business may be negatively impacted. We have also introduced catering offerings on both a pick-up and delivery basis, and customers may choose our competitors' catering offerings over ours, be disappointed with their experience with our catering, or experience food safety problems if they do not serve our food in a safe manner, which may negatively impact us. Such delivery and catering offerings also increase the risk of illnesses associated with our food because the food is transported and/or served by third parties in conditions we cannot control.

We do not have a long history with our catering offering and it is difficult for us to anticipate the level of sales they may generate. In addition, using third party providers to fulfill delivery orders may result in operational challenges, both in fulfilling orders made through these channels and in operating our restaurants as we balance fulfillment of these orders with service of our traditional in-restaurant guests. Any such operational challenges may negatively impact the customer experience associated with our digital, delivery or catering orders, the guest experience for our traditional in-restaurant business, or both. These factors may adversely impact our sales and our brand reputation.

Food-borne illness and other food safety and quality concerns may negatively impact our business and profitability.

Incidents or reports of food- or water-borne illness or other food safety issues, food contamination or tampering, employee hygiene or cleanliness failures, or improper employee conduct at our restaurants could lead to product liability or other claims. Such incidents or reports could negatively affect our brand and reputation as well as our business, revenues, and profits.

Furthermore, our reliance on third-party food processors makes it difficult to monitor food safety compliance, and may increase the risk that a food-borne illness would affect multiple locations rather than a single restaurant. Some food-borne illness incidents could be caused by third-party food suppliers and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise that could cause claims or allegations on a retroactive basis. One or more instances of food-borne illness in one of our company-operated or franchised restaurants could negatively affect sales at all of our restaurants if highly publicized. This risk would exist even if it were later determined that an illness had been wrongly attributed to one of our restaurants.

Additionally, even if food or water-borne illnesses or other food safety issues or incidents were not identified at El Pollo Loco restaurants, our restaurant sales could be adversely affected, both financially and otherwise, if instances of similar incidents or reports at other QSRs or restaurant chains were highly publicized. In addition, our restaurant sales could be adversely affected by publicity regarding other high-profile illnesses such as avian flu that customers may associate with our food products.

Failure to receive timely deliveries of food or other supplies could result in a loss of revenue and materially and adversely impact our operations.

Our and our franchisees' ability to maintain consistent quality menu items and prices significantly depends upon our ability to acquire fresh food products, including the highest-quality chicken and related items, from reliable sources, in accordance with our specifications and on a timely basis. Shortages or interruptions in the supply of fresh food products, caused by unanticipated demand, problems in production, distribution or otherwise in the supply chain, contamination of food products, an outbreak of poultry disease, inclement weather, or other conditions, could materially and adversely affect the availability, quality, and cost of ingredients, which would adversely affect our business, financial condition, results of operations, and cash flows. We have contracts with a limited number of suppliers for the chicken and other food and supplies for our restaurants. Further, increases in fuel prices could result in increased distribution costs. In addition, one company distributes substantially all of the products that we receive from suppliers to company-operated and franchised restaurants. If that distributor or any supplier fails to perform as anticipated or seeks to terminate agreements with us, or if there is any disruption in any of our supply or distribution relationships for any reason, including our ability to replace any lost distributor or supplier, our business, financial condition, results of operations, and cash flows could be materially and adversely affected. If we or our franchisees temporarily close a restaurant or remove popular items from a restaurant's menu as a result of such a disruption, that restaurant may experience a significant reduction in revenue if our customers change their dining habits as a result.

Our level of indebtedness, and restrictions under our credit facility, could materially and adversely affect our business, financial condition, and results of operations.

Our level of indebtedness could have significant effects on our business, such as: limiting our ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy, and other purposes; requiring us to dedicate a portion of our cash flow from operations to pay interest on our debt, which could reduce availability of our cash flow to fund working capital, capital expenditures, acquisitions, execution of our growth strategy, and other general corporate purposes; making us more vulnerable to adverse changes in general economic, industry, government regulatory, and competitive conditions in our business by limiting our ability to plan for and react to changing conditions; placing us at a competitive disadvantage compared with our competitors with less debt; and exposing us to risks inherent in interest rate fluctuations, because our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

In addition, we may not be able to generate sufficient cash flow from our operations to repay our indebtedness when it becomes due and to meet our other cash needs. If we are not able to pay our debts as they become due, we will be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring our indebtedness, or selling additional debt or equity securities. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, and if we have to sell our assets, that sale may negatively affect our ability to generate revenue.

Our secured revolving credit facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to (i) incur additional indebtedness, (ii) issue preferred stock, (iii) create liens on assets, (iv) engage in mergers or consolidations, (v) sell assets, (vi) make investments, loans, or advances, (vii) make certain

acquisitions, (viii) engage in certain transactions with affiliates, (ix) authorize or pay dividends, and (x) change our lines of business or fiscal year. In addition, our secured revolving credit facility requires us (i) to maintain, on a consolidated basis, a minimum consolidated fixed charge coverage ratio and (ii) not to exceed a maximum lease adjusted consolidated leverage ratio. Our ability to borrow under our secured revolving credit facility depends on our compliance with these tests. Events beyond our control, including changes in general economic and business conditions, may affect our ability to meet these tests. We cannot guarantee that we will meet these tests in the future, or that our lenders will waive any failure to meet these tests.

Further, we are a holding company with no material direct operations. Our principal assets are the equity interests that we indirectly hold in our operating subsidiary, El Pollo Loco, Inc. ("EPL"), which owns our operating assets. As a result, we are dependent on loans, dividends, and other payments from EPL, our operating company and indirect wholly owned subsidiary, and from EPL Intermediate, Inc. ("Intermediate"), our direct wholly owned subsidiary, to generate the funds necessary to meet our financial obligations and to pay dividends on our common stock. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions.

Our marketing programs may not be successful, and our new menu items, advertising campaigns, and restaurant designs and remodels may not generate increased sales or profits.

We incur costs and expend other resources in our marketing efforts on new menu items, advertising campaigns, and restaurant designs and remodels, to raise brand awareness and to attract and retain customers. Our initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Further, if our marketing and advertising strategies are not successful, we may be forced to engage in additional promotional activities to attract and retain customers, including offers for free or discounted food, and any such additional promotional activities could adversely impact our profitability. Additionally, some of our competitors have greater financial resources than we do, enabling them to spend significantly more on marketing, advertising, and other initiatives. Should our competitors increase spending on marketing, advertising, and other initiatives, or our marketing funds decrease for any reason, or should our advertising, promotions, new menu items, and restaurant designs and remodels be less effective than those of our competitors or not resonate with our customers, there could be a material adverse effect on our results of operations and financial condition.

Adverse changes in the economic environment may affect our franchisees, with adverse consequences to us.

Adverse changes in the economic environment, including inflation and increased labor and supply costs, could result in our franchisees filing for bankruptcy or becoming delinquent in their payments to us, which could have significant adverse impacts on our business, due to loss or delay in payments of (i) royalties, (ii) information technology ("IT") support service fees, (iii) contributions to our advertising funds, and (iv) other fees. Bankruptcies by our franchisees could (i) prevent us from terminating their franchise agreements, so that we could offer their territories to other franchisees, (ii) negatively impact our market share and operating results, as we might have fewer well-performing restaurants, and (iii) adversely impact our ability to attract new franchisees.

Franchisees may not have access to the financial or management resources that they need to open the restaurants contemplated by their agreements with us, or be able to find suitable sites on which to develop those restaurants. Franchisees may not be able to negotiate acceptable lease or purchase terms for restaurant sites, obtain necessary permits and government approvals, or meet construction schedules. Any of these problems could slow our growth and reduce our franchise revenue. Additionally, our franchisees typically depend on financing from banks and other financial institutions, which may not always be available to them, in order to construct and open new restaurants. For these reasons, franchisees operating under development agreements may not be able to meet the new restaurant opening dates required under those agreements. Also, we sublease certain restaurants to some existing California franchisees. If any such franchisees cannot meet their financial obligations under their subleases, or otherwise fail to honor or default under the terms of their subleases, especially where state franchise laws may limit our ability to terminate or modify these franchise arrangements, we will be financially obligated under a master lease and could be materially and adversely affected. In the past, franchisees have entered bankruptcy or receivership, which can lead to sale or closure of franchises, cause underperformance or underinvestment in capital expenditures, or lead to nonpayment of us or other creditors, and these circumstances could recur in the future.

We have limited control with respect to the operations of our franchisees, which could have a negative impact on our business.

As of December 27, 2023, approximately 65% of our restaurants were franchised restaurants, therefore, our success relies on the financial success and cooperation of our franchisees, yet we have limited influence over their operations. Franchisees are independent business operators. They are not our employees, and we do not exercise control over the day-to-day operations of their restaurants. We provide training and support to franchisees, and set and monitor operational standards, but the quality of franchised restaurants may be diminished by any number of factors beyond our control. Consequently, franchisees may fail to operate their restaurants in fashions consistent with our standards and requirements, or to hire and train qualified managers and other restaurant personnel. If franchisees do not operate to our expectations, our image and reputation, and the images and reputations of other franchisees, may suffer materially, and system-wide sales could decline significantly.

If our relations with existing or potential franchisees deteriorate, restaurant performance and our development pipeline could suffer.

Our growth depends on maintaining amicable relations with our franchisees, including their participation in and adherence to our restaurant operating guidelines. Because our ability to control our franchisees is limited, disagreement may lead to inaction by our franchisees with respect to our initiatives, or even disputes with our franchisees, in court, arbitration or otherwise, including disputes related to an actual or alleged violation of contractual, statutory or common law obligations. Such disputes occur from time to time as we continue to offer franchises due to our size and the general nature of the franchisor-franchisee relationship. Unfavorable judgments, awards or settlements relating to franchisee disputes could result in monetary or injunctive relief against us, including the voiding of non-compete, territorial exclusivity, or other development-related provisions upon which we rely to protect our brand, that could have a material adverse effect on our business and results of operations. Disputes with franchisees also divert the attention, time, and financial resources of our management and our franchisees from our restaurants, which could have a material adverse effect on our (and our franchisees') business, financial condition, results of operations, and cash flows, as well as our ability to attract new franchisees. Even our success in franchisee disputes could damage our (or our franchisees') finances or operations, as well as our relationships with our franchisees and our ability to attract new franchisees given the negative connotations of any franchisor-franchisee disputes.

Our self-insurance programs may expose us to significant and unexpected costs and losses.

We currently maintain employee health insurance coverage on a self-insured basis. We do maintain stop loss coverage which sets a limit on our liability for both individual and aggregate claim costs.

We currently record a liability for our estimated cost of claims incurred and unpaid as of each balance sheet date. Our estimated liability is recorded on an undiscounted basis and includes a number of significant assumptions and factors, including historical trends, expected costs per claim, actuarial assumptions, and current economic conditions. Our history of claims activity for all lines of coverage is closely monitored, and liabilities are adjusted as warranted based on changing circumstances. It is possible, however, that our actual liabilities may exceed our estimates of loss. We may also experience an unexpectedly large number of claims that result in costs or liabilities in excess of our projections, and therefore we may be required to record additional expenses. For these and other reasons, our self-insurance reserves could prove to be inadequate, resulting in liabilities in excess of our available insurance and self-insurance. If a successful claim is made against us and is not covered by our insurance or exceeds our policy limits, our business may be negatively and materially impacted.

We are locked into long-term and non-cancelable leases, and may be unable to renew leases at the ends of their terms.

Many of our restaurant leases are non-cancelable and typically have initial terms of up to 20 years with up to four renewal terms of five years that we may exercise at our option. Even if we close a restaurant, we may remain committed to perform our obligations under the applicable lease, which could include, among other things, payment of the base rent for the balance of the lease term. In addition, in connection with leases for restaurants that we will continue to operate, we may, at the end of the lease term and any renewal period for a restaurant, be unable to renew the lease without substantial additional cost, if at all. As a result, we may close or relocate the restaurant, which could subject us to

construction and other costs and risks. Additionally, the revenue and profit, if any, generated at a relocated restaurant might not equal the revenue and profit generated at its prior location.

If we are unable to achieve our social and environmental sustainability goals, our reputation and results of operations could be adversely affected.

In addition to financial performance, companies increasingly are being judged by their performance on a variety of environmental, social and governance ("ESG") factors. Investors, governmental agencies and self-regulatory organizations, including the SEC, the NYSE and the Financial Accounting Standards Board (the "FASB"), have increasingly focused on social and environmental sustainability achievements and disclosures, including with respect to climate change, energy use, packaging and waste, human rights, sustainable supply chain practices, animal health and welfare and water use. Achievement of our goals are subject to risks and uncertainties, many of which are outside of our control and may prove to be more difficult and costly than we anticipate. These risks and uncertainties include, but are not limited to, our ability to achieve our ESG goals within currently projected costs and expected timeframes; unforeseen operational and technological difficulties; the success of our collaboration with our suppliers and other third parties; and competitive pressures. Failure to achieve our goals could damage our reputation and relationships with our guests, investors and other stakeholders, which could have an adverse effect on our business, results of operations and stock price.

Risks Related to Information Technology and Data Security

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

From time to time, we experience security events within our networks and systems. These security events have included, and, may in the future include, those caused by physical or electronic break-ins, computer viruses, malware, worms, attacks by hackers or foreign governments, unauthorized access through the use of compromised credentials and tampering, including through social engineering such as phishing attacks, coordinated denial-of-service attacks, exploitation of design flaws, bugs or security vulnerabilities and similar breaches, or intentional or unintentional acts by employees or other insiders with access privileges. In the past, these events have resulted in, and in the future could result in, among other things, temporary system disruptions or shutdowns or unauthorized access to confidential information. These events could in the future also result in misappropriation of our or our customers' proprietary or confidential information, breach of our legal, regulatory or contractual obligations, delays in our operations, or inability to access or rely upon critical business records or systems. In some cases, it may be difficult to anticipate or immediately detect such incidents and the damage they cause. We may be required to expend significant financial resources to protect against or to remediate such security breaches. In addition, our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure, and other catastrophic events and disruptive problems. Any unauthorized access of our systems or the information stored on such systems, damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could damage our reputation, subject us to litigation or to actions by regulatory authorities, harm our business relations or increase our security and insurance costs, which could have a material adverse effect on our business, financial condition and results of operations. Moreover, these systems, infrastructures, and operations rely upon third-party software and vendors, and we may therefore have a limited ability to guard against, learn about, or remedy problems that could harm us, including bugs and glitches, system outages, and hacks that exploit security vulnerabilities to obtain information.

If we are unable to protect our customers' payment method data or personal information, we could be exposed to data loss, litigation, liability, and reputational damage.

We collect and retain internal and customer data, including personally identifiable information of our employees and customers. It is possible that measures we have taken to prevent the occurrence of security breaches may not be adequate and we may in the future become subject to claims or proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of credit/debit card information. Any such claims or proceedings could distract our management team members from running our business, adversely affect our reputation, and cause us to incur significant unplanned losses and expenses.

We are also subject to federal and state laws regulating the collection and use of personal information of our employees and customers, including the California Consumer Privacy Act ("CCPA"), which took effect January 1, 2020, and the California Privacy Rights Act ("CPRA"), which was approved in November 2020, and beginning in January 2023 imposed additional data protection obligations on companies doing business in California. In addition, our ability to accept credit/debit cards as payment in our restaurants and online depends on us maintaining our compliance status with standards set by the PCI Security Standards Council, which require certain levels of system security and procedures to protect our customers' credit/debit card information as well as other personal information. Compliance with these standards and regulations may impose significant costs on us. Further, while we have implemented policies and procedures to ensure compliance with the CCPA, the manner in which the California Attorney General may interpret and enforce the CCPA is uncertain. The potential effects of the CCPA and CRPA are far-reaching and may require us to modify our data processing practices and policies and incur substantial costs and expenses in an effort to comply with these regulations. There is also the potential for increased regulatory enforcement by the state agencies empowered to enforce these laws. Noncompliance with the CCPA, CRPA and other privacy laws could result in injunctions, fines and/or proceedings against us by governmental agencies or others. There could also be uncertainty surrounding compliance with privacy laws in other jurisdictions such as state-specific laws, including those in Colorado, Utah, and others, which may conflict with existing legislation or future laws and regulations.

Risks Related to Intellectual Property

The failure to enforce and maintain our trademarks and protect our other intellectual property could materially and adversely affect our business, including our ability to establish and maintain brand awareness.

The success of our business strategy depends on our ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products. If our efforts to protect our intellectual property are inadequate, or if any third-party misappropriates or infringes upon our intellectual property, whether in print, on the Internet, or through other media, our brands and branded products could fail to maintain or achieve market acceptance and the value of our brands could be harmed, materially and adversely affecting our business. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States. Any litigation to enforce our intellectual property rights will likely be costly and may not be successful.

We maintain the recipe for our chicken marinade, as well as certain proprietary standards, specifications, and operating procedures, as trade secrets or confidential proprietary information. We may not be able to prevent the unauthorized disclosure or use of our trade secrets or proprietary information, despite the existence of confidentiality agreements and other measures. While we try to ensure that the quality of our brands and branded products is maintained by all of our franchisees, we cannot be certain that these franchisees will not take actions that adversely affect the value of our intellectual property or reputation. If any of our trade secrets or proprietary information were to be disclosed to or independently developed by a competitor, our business, financial condition, and results of operations could be materially and adversely affected.

In addition, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and could divert resources from our business. Moreover, if we are unable to successfully defend against such claims, we may be prevented from using our trademarks or service marks in the future and may be liable for damages, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Government Regulation and Litigation

Matters relating to employment and labor law may adversely affect our business.

Various federal, state and local labor laws govern our relationships with our employees and affect operating costs. These laws include employee classifications as exempt or non-exempt, minimum wage requirements, unemployment tax rates, workers' compensation rates, citizenship requirements, and other wage and benefit requirements for employees classified as non-exempt. Significant additional government regulations and new laws mandating increases in minimum wages or benefits such as health insurance could materially affect our business, financial condition, operating results, and cash flow. In particular, our labor and regulatory compliance costs are expected to be adversely impacted as a result of AB 1228, signed into law by Governor Newsom on September 28, 2023, which repealed and replaced the FAST Act on January 1, 2024. Pursuant to AB 1228, the minimum wage at fast food restaurants that are part of brands which have

more than 60 establishments nationwide will rise to $20 an hour on April 1, 2024, and a Fast Food Council created by AB 1228 will have limited power to approve annual wage increases until 2029. Under the law, the Fast Food Council will also have the power to develop and propose minimum standards for fast food workers, including standards for working hours, working conditions, and health and safety. As a result of AB 1228, we expect our labor and regulatory compliance costs will increase beginning in fiscal 2024 and that our results of operations and profitability will be adversely affected if we are not able to implement other measures to counter these increased costs. Further, this law could prompt similar legislation in other states. In addition, the unionization of our employees and of the employees of our franchisees could materially affect our business, financial condition, operating results, and cash flow.

Employee claims against us or our franchisees based on, among other things, wage and hour violations, discrimination, harassment, or wrongful termination may also create not only legal and financial liability but negative publicity that could adversely affect us and divert our financial and management resources that could otherwise be used to benefit the future performance of our operations. These types of employee claims could also be asserted against us, on a co-employer theory, by employees of our franchisees. A significant increase in the number of these claims, or an increase in the number of successful claims, could materially and adversely affect our business, brand image, employee recruitment, financial condition, results of operations, or cash flows.

We are from time to time the target of class action lawsuits and other claims proceedings, which could adversely affect our business and results of operations.

Our business is subject to the risk of litigation by employees, customers, suppliers, stockholders, and others through private actions, class actions, administrative proceedings, regulatory actions, and other litigation, including actions regarding workplace and employment conditions, discrimination, and similar matters, and we are currently a party to wage and hour class action lawsuits. See additional information presented in Note 13 “Commitments and Contingencies—Legal Matters” in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report. Occasionally, our customers file complaints or lawsuits against us alleging that we are responsible for some illnesses or injuries that they suffered at or after a visit to one of our restaurants, including actions seeking damages resulting from food-borne illnesses or accidents in our restaurants. We are also subject to a variety of other claims from third parties arising in the ordinary course of our business, including contract claims. The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their customers. We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission, or others alleging violations of federal or state laws regarding workplace and employment conditions, discrimination, and similar matters.

Regardless of whether any claims against us are valid and whether we are liable, claims may be expensive to defend against and divert time and money away from operations. In addition, claims may generate negative publicity, which could reduce customer traffic and sales. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims, or any adverse publicity resulting from claims, could adversely affect our business and results of operations.

If we or our franchisees face labor shortages or increased labor costs, our results of operations and growth could be adversely affected.

Labor is a primary component in the cost of operating our company-operated and franchised restaurants. Labor shortages and increased labor costs are subject to numerous internal and external factors, including higher employee-turnover rates, changes in immigration policy including barriers to immigrants entering, working in, or remaining in the United States, regulatory changes, prevailing wage rates, including increases in federal, state, or local minimum wages or in other employee benefit costs (including costs associated with health insurance coverage or workers’ compensation insurance), and increased competition we face from other companies for qualified employees. During 2023, we continued to experience a competitive and tight labor market. A sustained labor shortage could lead to increased costs, such as increased overtime incurred to meet the demands of our customers and increased wage rates to attract and retain employees. Any failure to meet our staffing needs or any material increases in employee turnover rates could adversely affect our business and results of operations, including our ability to grow our restaurant base. See also our risk factor titled “**Public health crises, including the COVID-19 pandemic have had, and may in the future have, a significant negative impact on our business, sales, results of operations and financial condition**” above for labor shortage risks we may face in connection with pandemics, epidemics and other public health emergencies, such as COVID-19.

Federally-mandated, state-mandated, or locally-mandated minimum wages have recently increased in several jurisdictions, including state and county mandates in California, and will be further raised in the future, including as a result of the AB 1228 in California. We may be unable to sufficiently increase our menu prices in order to pass future increased labor costs on to our customers, in which case our margins would be negatively affected. Also, reduced margins of franchisees could make it more difficult to sell franchises. In addition, increases in menu prices by us and our franchisees to cover increased labor costs could have the effect of lowering sales, which would thereby reduce our margins and the royalties that we receive from franchisees.

We are subject to extensive laws, government regulation, and other legal requirements and our failure to comply with existing or new laws and regulations could adversely affect our operational efficiencies, ability to attract and retain talent and results of operations.

Our business is subject to extensive federal, state and local laws and regulations, including those relating to the preparation, sale and labeling of food and beverages, labor and employment practices and working conditions, health, sanitation, safety and fire standards, building and zoning requirements, registration, offer, sale, termination and renewal of franchises, public accommodations and safety conditions, environmental matters, and consumer protection and privacy obligations. See Item 1 “Business—Regulation and Compliance” for further information. We are also subject to laws and regulations concerning our compliance as a public company, including disclosure and governance matters, including accounting and tax regulations, SEC and The Nasdaq Stock Market LLC (“Nasdaq”) disclosure requirements.

Compliance with these laws and regulations, and future new laws or changes in these laws or regulations that impose additional requirements, can be costly. Any failure or perceived failure to comply with these laws or regulations could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability.

Changes in health, safety, construction, labor, environmental, or other laws or regulations, including changes to or repeal of the Patient Protection and Affordable Care Act (“PPACA”), could impose costs upon us, including transition costs. Such transition costs could include uncertainties about how the new laws or regulations might be interpreted, enforced, or litigated by either regulators or private parties. Such changes could also have economic implications for our customers. For example, changes to health insurance law could diminish our customers’ disposable incomes and thus reduce their frequency of eating or ordering out, even from QSR or fast casual restaurants, including us.

Legislation and regulations regarding certain of our menu offerings, new information or attitudes regarding diet and health, or adverse opinions about the health effects of consuming our menu offerings, could affect consumer preferences and negatively impact our results of operations.

Further, certain government authorities have adopted or may adopt laws and regulations regarding trans-fats, sodium, sodas or other ingredients or products used or sold by our restaurants. While only a small number of our ingredients contain trans-fats in trace amounts, these regulations may require us to limit or remove ingredients from our products, which could affect product tastes, customer satisfaction levels, and sales volumes. Transitioning to higher-cost ingredients may also hinder our ability to operate in certain markets and proposed tax increases on certain products, such as sodas, may affect sales volumes of those products. In addition, a number of states, counties, and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers. Furthermore, the Affordable Care Act requires chain restaurants to publish calorie information on their menus and menu boards. These and other requirements may increase our expenses, slow customers’ ordering process, or negatively influence the demand for our offerings; all of which can have an adverse effect on our results of operations and financial position, as well as on the restaurant industry in general.

We may become subject to liabilities arising from environmental laws that could likely increase our operating expenses and materially and adversely affect our business and results of operations.

We are subject to federal, state, and local laws, regulations, and ordinances that:

- govern activities or operations that may have adverse environmental effects, such as discharges into the air, water and soils, as well as waste handling and disposal practices for solid and hazardous wastes and waste water; and

- impose liability for the costs of remediating, and the damage resulting from, past spills, disposals, or other releases of petroleum products and hazardous materials.

In particular, under applicable environmental laws, we may be responsible for remediation of environmental conditions and subject to associated liabilities, including liabilities for cleanup costs, personal injury, or property damage, relating to our restaurants and the land on which our restaurants are located, regardless of whether we lease or own the restaurants or land in question and regardless of whether such environmental conditions were created by us or by a prior owner or tenant. If we are found liable for the costs of remediation of contamination at any of our properties, our operating expenses would likely increase and our results of operations could be materially and adversely affected. See above under "Item 1. Business —Environmental Matters."

Risks Related to Ownership of Our Common Stock

Our quarterly operating results may fluctuate significantly due to seasonality and other factors, some of which are beyond our control, which could adversely affect the market price of our common stock.

Our quarterly operating results may fluctuate significantly because of several factors, including but not limited to: increases and decreases in sales; profitability of our restaurants; labor availability and costs for personnel; changes in interest rates; macroeconomic conditions, both nationally and locally; negative publicity relating to the consumption of products we serve; changes in consumer preferences and competitive conditions; impairment of property and equipment assets and any loss on and exit costs associated with restaurant closures; expansion to new markets; the timing of new restaurant openings and related expense; restaurant operating costs for our newly-opened restaurants; increases in infrastructure costs; and fluctuations in commodity prices.

Seasonal factors, including weather disruptions, and the timing of holidays also cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters due to reduced January and December transactions and higher in the second and third quarters. As a result of seasonality, our quarterly and annual results of operations and key performance indicators such as company restaurant revenue and comparable restaurant sales may fluctuate. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock would likely decrease.

Future offerings of debt or equity securities by us may adversely affect the market price of our common stock.

In the future, we may attempt to obtain financing, or to further increase our capital resources, by issuing additional shares of our common stock or by offering other equity securities, or debt, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. Opening new company-operated restaurants in existing and new markets could require substantial additional capital in excess of cash from operations. We would expect to finance the capital required for new company-operated restaurants through a combination of additional issuances of equity, corporate indebtedness, and cash from operations.

Issuing additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders, reduce the market price of our common stock, or both. In a liquidation, holders of any such debt securities or preferred stock, and lenders with respect to other borrowings, could receive distributions of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in their conversion ratios under certain circumstances, increasing the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions, or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control that may adversely affect the amount, timing, or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us.

Delaware law, our organizational documents, our shareholder rights agreement and our existing and future debt agreements may impede or discourage a takeover, depriving our investors of the opportunity to receive a premium for their shares.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third-party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, provisions of our amended and restated certificate of incorporation and by-laws may make it difficult for, or prevent, a third-party from acquiring control of us without the approval of our Board of Directors. Among other things, these provisions: provide for a classified board of directors with staggered three-year terms; do not permit cumulative voting in the election of directors, which would allow a minority of stockholders to elect director candidates; delegate the sole power to a majority of the board of directors to fix the number of directors; provide the power to our Board of Directors to fill any vacancy on our Board of Directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise; authorize the issuance of "blank check" preferred stock without any need for action by stockholders; eliminate the ability of stockholders to call special meetings of stockholders; establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and provide that, on or after the date that Trimaran Pollo Partners, L.L.C ceases to beneficially own at least 40% of the total votes eligible to be cast in the election of directors, a 75% supermajority vote will be required to amend or repeal provisions relating to, among other things, the classification of the board of directors, the filling of vacancies on the board of directors, and the advance notice requirements for stockholder proposals and director nominations.

In addition, in certain circumstances, the shareholder rights plan adopted by our Board of Directors in August 2023 would cause dilution to a person or group that acquires a large block of our common stock and thereby make it more difficult for such person or group to acquire the Company. See "*Shareholder activism could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and impact our stock price*" for additional information regarding our shareholder rights plan.

Furthermore, our secured revolving credit facility imposes, and we anticipate that documents governing our future indebtedness may impose, limitations on our ability to enter into change of control transactions. Under our secured revolving credit facility, the occurrence of a change of control transaction can constitute an event of default permitting acceleration of the debt, thereby impeding our ability to enter into change of control transactions. The foregoing factors could impede a merger, takeover, or other business combination, or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock.

These provisions, either alone or in combination with each other, give our current directors and executive officers a substantial ability to influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our shareholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our securities could decline.

Shareholder activism could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and impact our stock price.

We may be subject to shareholder activism in the future, which could result in substantial costs and divert management's and our Board's attention and resources from our business. Such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers, or suppliers and make it more difficult to attract and retain qualified personnel. We may be required to incur significant fees and other expenses related to activist shareholder matters, including for third party advisors. We may be subjected to a proxy contest or to litigation by activist investors. Our stock price has been and could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.

In addition, in August 2023, our Board of Directors adopted a shareholder rights plan and declared a dividend of one preferred share purchase right (a "Right") for each share of our common stock outstanding on August 18, 2023 to the stockholders of record on that date. In the event that a person or group of affiliated or associated persons has acquired beneficial ownership of 12.5% or more of our outstanding common stock, subject to certain exceptions, each Right would entitle its holder (other than such person or members of such group) to purchase additional shares of our common stock at a substantial discount to the public market price. In addition, at any time after a person or group of affiliated or

associated persons has acquired beneficial ownership of 12.5% or more of our outstanding common stock (and prior to the acquisition by any person or group of a majority of the outstanding shares of our common stock), the Board of Directors may exchange one share of our common stock for each outstanding Right (other than Rights owned by such person or group, which would have become void). The shareholder rights plan would cause dilution to a person or group that acquires a large block of our common stock on terms that are not approved by our Board of Directors and thereby make it more difficult for such person or group to acquire the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company has multi-layer processes to assess, identify and manage material risks from cybersecurity threats. These processes are integrated into the Company's enterprise risk management as part of its overall risk management strategy.

A cross-functional team of senior leadership assesses potential material risks to the business and the Company's ability to meet strategic priorities, including risks from cybersecurity threats. The Company's senior leadership receives updates from relevant functional heads or other subject matter specialists on these potential material risks as well as the processes or other steps being taken to manage or mitigate the risks. The team includes senior leaders in areas of importance to Company priorities, including the Company's Chief Privacy Officer, who is also our Vice President of Information Technology and the Chief Legal Officer. The Company's senior leadership assesses and prioritizes risk based on impact to shareholders, operations, and strategic priorities, among other factors.

The Chief Privacy Officer oversees the Company's information security program and is responsible for the day-to-day information risk management activities through the internal information security team, and outside resources. The VP, Chief Privacy Officer, who has 30 years of IT and IT security experience, 20 of which are at the Company, employs a team of information technology experts, including a dedicated Cyber Security Analyst. The VP, Chief Privacy Officer and the Cyber Security Analyst are further supported by other members of the IT department.

The Company's processes to assess, identify and manage material risks from cybersecurity threats include, but are not limited to, the following:

- The VP, Chief Privacy Officer, dedicated Cyber Security Analyst, and other key members of the information technology team actively monitor threats to the information technology environment. They work with a third party to provide additional 24/7 monitoring of cyber threats. These internal and external cybersecurity teams are empowered to contain network access through various application controls. Structural protections are also in place to mitigate risks of end point failures, and provide for continuity of operations.
- The Company uses various systems to manage threats, for example, firewall protections, anti-virus protections, vulnerability scans, among others. Such systems are regularly reviewed for adequacy and potential enhancements.
- The Company employs an information security and training program for our employees, including mandatory computer-based training, regular internal communications, and ongoing end-user testing to measure the effectiveness of our information security program.
- The Company engages external third parties to advise on emerging threats to stay current and strengthen our security capabilities.
- The Company performs penetration testing and other exercises within internal and external networks for potential vulnerabilities.
- The Company additionally performs annual tabletop exercises with the information technology team pertaining to infrastructure and cyber security related events, to test the Company's incident response and business continuity plans in the event of a cybersecurity incident.
- Bi-annually the Company engages a third party to conduct an audit of the Company's cybersecurity systems and processes to test their adequacy and efficacy. The results are shared with senior leadership and the Audit Committee of the Board, and incorporated into strategic security plans.
- The Company maintains cybersecurity insurance, which is assessed annually for the appropriateness of coverage levels and emerging trends.

The Company also has in place an Incident Response Plan that enables it to quickly categorize, respond, and escalate to senior leadership and the Audit Committee of the Board, real or potential cybersecurity incidents in a manner designed to mitigate overall business impact.

In connection with the Company's review and approval for potential new vendors, the Company assesses the data types or Personally Identifiable Information that the vendor may maintain, store or access and reviews the adequacy of their cybersecurity procedures and legal protections. Legal counsel and the VP, Chief Privacy Officer review the cyber and contractual protections and consider the overall risk profile considering the type of agreement, data involved, vendor, and jurisdiction, among other factors. Vendors deemed to have insufficient controls balancing the relevant criteria will not be approved.

The Board of Directors is kept apprised of material risks from cybersecurity threats through the Audit Committee. The Audit Committee is responsible for overseeing threats to the Company, including those involving cyber threats, and reviewing the Company's protocols and procedures to mitigate those threats. On a quarterly basis, the VP, Chief Privacy Officer, presents to the Audit Committee on the Company's cybersecurity compliance and risk management practices. These presentations address, among other things, the results of audits and reviews of our security information systems and other cybersecurity measures, the current threat environment and cybersecurity trends and best practices. As applicable, these quarterly presentations also include reports of cybersecurity incidents affecting our information systems along with updates on the status of prior cybersecurity incidents and applicable remediation efforts. The Audit Committee discusses the adequacy and efficacy of the controls and shares the information with the Board as part of its risk oversight function. Outside of quarterly presentations, the Audit Committee is informed of incidents that in senior leadership's discretion require more immediate Audit Committee attention.

To date, the Company has not, to its knowledge, experienced any cybersecurity threats or previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition. However, we can give no assurance that we have detected or protected against all cybersecurity incidents or cybersecurity threats. Please refer to the risk factor titled "***Our inability or failure to execute our business continuity and response plan following a major disaster such as a natural disaster, terrorism, social unrest or a cybersecurity incident affecting our corporate facilities could materially adversely affect our business"*** in "Item 1A, Risk Factors" in this report for additional information about risks related to cybersecurity matters.

ITEM 2. PROPERTIES

As of December 27, 2023, our restaurant system consisted of 495 restaurants, comprised of 172 company-operated restaurants and 323 franchised restaurants, located in California, Nevada, Arizona, Texas, Utah, Louisiana and Colorado. In addition, we currently license our brand to nine restaurants in the Philippines. We have not included these licensed restaurants as part of our unit count as presented in this annual report. The table below sets forth the locations (by state) for all restaurants in operation as of December 27, 2023.

State	Company-Operated	Franchised	Total
California	144	246	390
Nevada	28	5	33
Arizona	—	27	27
Texas	—	31	31
Utah	—	10	10
Louisiana	—	2	2
Colorado	—	2	2
Total	172	323	495

Our restaurants are either free-standing facilities, typically with drive-thru capability, or in-line. A typical restaurant generally ranges from 2,200 to 3,000 square feet, with seating for approximately 50-70 people. For a majority of our company-operated restaurants, we lease land on which our restaurants are built. Our leases generally have terms of 20 years, with up to four renewal terms of five years.

Restaurant leases provide for a specified annual rent, and some leases call for additional or contingent rent based on revenue above specified levels. Generally, our leases are "net" leases that require us to pay a pro rata share of taxes, insurance, and maintenance costs. We own 15 properties, of which we currently operate 12 and license three to franchisees. In addition, we operate 160 company-operated restaurants on leased real estate, we own one operating unit with additional parking on leased real estate, and we have another 57 leased sites that are subleased or assigned to franchisees who operate El Pollo Loco restaurants. We also have two closed units, two of which are subleased for uses other than El Pollo Loco. We also sublease a surplus property of an operating location to a third party.

We lease our headquarters, consisting of approximately 29,880 square feet in Costa Mesa, California, for a term expiring in 2026, plus a one-year extension option. We believe that our current office space is suitable and adequate for its intended purposes and our near-term expansion plans.

ITEM 3. LEGAL PROCEEDINGS

For information regarding our material legal proceedings, see Note 13 "Commitments and Contingencies—Legal Matters" in the accompanying "Notes to Consolidated Financial Statements" in this Annual Report, which information is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on The Nasdaq Stock Market LLC under the symbol "LOCO" since July 25, 2014.

As of March 1, 2024, there were approximately 58 holders of record of our common stock. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street name" or persons, partnerships, associates, corporations, or other entities in security position listings maintained by depositories.

Dividends

In fiscal 2022, the Board of Directors declared a special cash dividend of $1.50 per share on our common stock. The special dividend was paid on November 9, 2022, to stockholders of record, including holders of restricted stock, at the close of business on October 24, 2022. Our dividend is subject to the discretion and approval of our Board of Directors and our compliance with applicable law, and depends upon, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, and other factors that our Board of Directors may deem relevant. We do not anticipate paying any such dividends for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, restrictions imposed by applicable law and our financing agreements and other factors that our Board of Directors deems relevant.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to the shares of our common stock we acquired during the fourth quarter ended December 27, 2023.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Be Purchased Under the Plans or Programs
September 28, 2023 to October 25, 2023	—	$ -	—	$ -
October 26, 2023 to November 22, 2023	3,215 (2)	$ 8.37	—	$ 20,000,000
November 23, 2023 to December 27, 2023	1,500,000 (3)	$ 8.40	1,500,000	$ 7,400,000
Total	1,503,215		1,500,000	

(1) On October 31, 2023, our Board of Directors approved a share repurchase program under which we are authorized to repurchase up to $20.0 million of shares of our common stock. The repurchase program will terminate on March 31, 2025, may be modified, suspended or discontinued at any time, and does not obligate us to acquire any particular number of shares. During the fourth quarter ended December 27, 2023, we repurchased 1,500,000 shares of our common stock at a price of $8.40 per share pursuant the share repurchase program; therefore, $7,400,000 of our common stock remained available for repurchase under the share repurchase program at December 27, 2023.

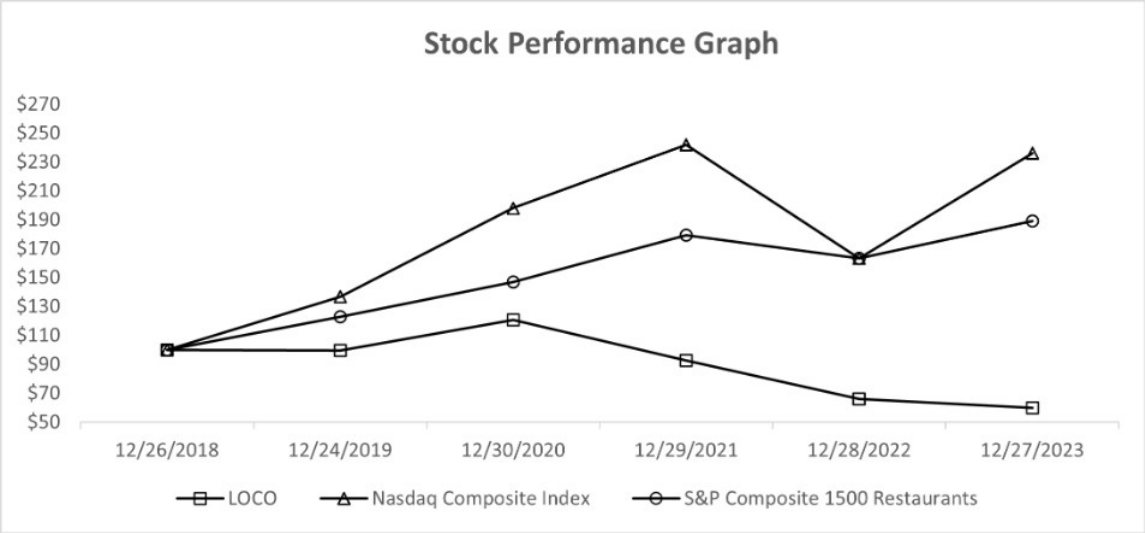
(2) Consists of 3,215 shares acquired by the Company to satisfy employee tax withholding obligations in connection with the vesting of previously issued restricted stock.

(3) These shares were repurchased pursuant to a Stock Repurchase Agreement entered into with FS Equity Partners V, L.P. and FS Affiliates V, L.P. (the “Sellers”) on November 26, 2023, pursuant to which we agreed to purchase an aggregate of 1,500,000 shares of our common stock from the Sellers at a price of $8.40 per share, representing the closing price of such shares as listed on Nasdaq on November 29, 2023, for a total purchase price of $12,600,000.

Stock Performance Graph

The following graph and table illustrate the total cumulative shareholder return for (i) our common stock, (ii) the Nasdaq Composite Index and (iii) the Standard and Poor's Composite 1500 Restaurants Index (formerly called the S&P Supercomposite Restaurants Index), for the five years ended December 27, 2023. The graph assumes the investment of $100 at the beginning of the period (at the closing price of our common stock on December 26, 2018) and the reinvestment of all dividends. Specifically, the graph assumes that the $1.50 per share special cash dividend paid to shareholders was reinvested in 2022. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

The stock performance graph shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, nor shall it be incorporated by reference into any past or future filing under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act, except to the extent we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.



Date	LOCO	Nasdaq Composite Index	S&P Composite 1500 Restaurants
December 26, 2018	$ 100.00	$ 100.00	$ 100.00
December 24, 2019	$ 99.67	$ 136.69	$ 122.86
December 30, 2020	$ 120.60	$ 198.10	$ 146.90
December 29, 2021	$ 92.78	$ 242.03	$ 179.28
December 28, 2022	$ 65.96	$ 163.28	$ 163.44
December 27, 2023	$ 59.93	$ 236.17	$ 189.14

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our "Audited Consolidated Financial Statements" and accompanying "Notes to Consolidated Financial Statements" included elsewhere in this Annual Report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause actual results to differ materially from management's expectations. See "Forward-

Looking Statements" and "Item 1A. Risk Factors" included elsewhere in this Annual Report. We assume no obligation to update any of these forward-looking statements.

Basis of Presentation

We use a 52- or 53-week fiscal year ending on the last Wednesday of each calendar year. Fiscal 2023, 2022, and 2021 ended on December 27, 2023, December 28, 2022 and December 29, 2021, respectively. In a 52-week fiscal year, each quarter includes 13 weeks of operations. In a 53-week fiscal year, the first, second and third quarters each include 13 weeks of operations, and the fourth quarter includes 14 weeks of operations. Approximately every six or seven years a 53-week fiscal year occurs. Fiscal 2023, 2022 and 2021 were 52-week fiscal years. 53-week years may cause revenues, expenses, and other results of operations to be higher due to the additional week of operations. Fiscal years are identified in this report according to the calendar years in which they ended. For example, references to fiscal 2023 refer to the fiscal year ended December 27, 2023.

Overview

El Pollo Loco is a differentiated and growing restaurant concept that specializes in fire-grilling citrus-marinated chicken and operates in the LSR segment. We strive to offer food that integrates the culinary traditions of Mexico with the healthier lifestyle of Los Angeles. Our distinctive menu features our signature product--citrus-marinated fire-grilled chicken--and a variety of Mexican and LA-inspired entrees that we create from our chicken. We serve individual and family-sized chicken meals, a variety of Mexican and LA-inspired entrees, and sides, and, throughout the year, on a limited-time basis, additional proteins like beef. Our entrees include favorites such as our Chicken Avocado Burrito, Pollo Fit entrees, chicken tostada salads, and Pollo Bowls. Our famous Creamy Cilantro dressings and salsas are prepared fresh daily, allowing our customers to create their favorite flavor profiles to enhance their culinary experience. Our distinctive menu with "better for you" and more affordable alternatives appeals to consumers across a wide variety of socio-economic backgrounds and drives our balanced composition of sales throughout the day (our "day-part mix"), including at lunch and dinner.

M**arket Trends and Uncertainties**

On September 28, 2023, Governor Newsom signed AB 1228 into law, which repealed and replaced the FAST Act on January 1, 2024. Pursuant to AB 1228, the minimum wage at fast food restaurants that are part of brands which have more than 60 establishments nationwide will rise to $20 an hour on April 1, 2024, and a Fast Food Council created by AB 1228 will have limited power to approve annual wage increases until 2029. Under the law, the Fast Food Council will also have the power to develop and propose minimum standards for fast food workers, including standards for working hours, working conditions, and health and safety. As a result of AB 1228, we expect our labor and regulatory compliance costs will increase beginning in fiscal 2024 and that our results of operations and profitability will be adversely affected if we are not able to implement other measures to counter these increased costs.

We have experienced inflationary pressures affecting our operations in certain areas such as food cost, labor costs, construction costs and other restaurant operating costs. We have been able to substantially offset these inflationary and other cost pressures through various actions, such as increasing menu prices, managing menu mix, and productivity improvements. However, we expect these inflationary and other cost pressures to continue throughout fiscal year 2024 and we may not be able to offset cost increases in the future.

Growth Strategies and Outlook

We plan to continue to expand our business, drive restaurant sales growth, and enhance our competitive positioning, by executing the following five key strategies:

- attract, hire, and retain top talent;
- EPL hospitality;
- be known for our famous fire-grilled chicken;
- digital-centric in service of improving the customer experience; and

- expand as an asset light company.

As of December 27, 2023, we had 495 locations in seven states. In fiscal 2023, we opened two new company-operated restaurants in Nevada and our franchisees opened three new restaurants, one in California, one in Colorado and one in Utah. In fiscal 2022, we opened four new company-operated restaurants, two in Nevada and two in California, and our franchisees opened nine new restaurants, seven in California, one in Colorado and one in Utah.

In 2024, we intend to open two new company-operated in California and five to seven new franchised restaurants. To increase comparable restaurant sales, we plan to increase customer frequency, attract new customers, and improve per-person spend.

Highlights and Trends

Comparable Restaurant Sales

In fiscal 2023, comparable restaurant sales system-wide decreased 0.3%. In fiscal 2022, comparable restaurant sales system-wide increased 5.9%. In fiscal 2021, comparable restaurant sales system-wide increased 12.1%. Comparable restaurant sales growth/decline reflects the change in year-over-year sales for the comparable restaurant base. A restaurant enters our comparable restaurant base the first full week after its 15-month anniversary. System-wide comparable restaurant sales include restaurant sales at all comparable company-operated restaurants and at all comparable franchised restaurants, as reported by franchisees. Comparable restaurant sales at company-operated restaurants increased 0.3%, 3.7%, and 7.6%, respectively, in fiscal 2023, 2022 and 2021. For company-operated restaurants in 2023, the change in comparable restaurant sales consisted of a 2.3% increase in average check size due to increases in menu prices partially offset by a 2.0% decrease in transactions. In fiscal 2022, the increase in company-operated comparable restaurant sales consisted of a 7.3% increase in average check size partially offset by a 3.3% decrease in transactions. In fiscal 2021, the increase in company-operated comparable restaurant sales consisted of a 6.3% increase in average check size and a 1.2% increase in transactions.

In fiscal 2023, comparable restaurant sales at franchised restaurants decreased 0.7%. In fiscal 2022, comparable restaurant sales at franchised restaurants increased 7.4%, and in fiscal 2021, comparable restaurant sales at franchised restaurants increased 15.3%.

Restaurant Development

In fiscal 2023, we opened two company-operated restaurants, and our franchisees opened three new restaurants. From time to time, we and our franchisees close restaurants. In fiscal 2023, we did not close any company-operated restaurants, and our franchisees did not close any restaurants. Our restaurant counts at the beginning and end of each of the last three years were as follows:

	Fiscal Year Ended		
	2023	2022	2021
Company-operated restaurant activity:			
Beginning of period	188	189	196
Openings	2	4	2
Restaurant sale to franchisee	(18)	(3)	(8)
Closures	—	(2)	(1)
Restaurants at end of period	172	188	189
Franchised restaurant activity:			
Beginning of period	302	291	283
Openings	3	9	2
Restaurant sale to franchisee	18	3	8
Closures	—	(1)	(2)
Restaurants at end of period	323	302	291
System-wide restaurant activity:			
Beginning of period	490	480	479
Openings	5	13	4
Closures	—	(3)	(3)
Restaurants at end of period	495	490	480

During the year ended December 27, 2023, we completed 15 company-operated restaurant remodels and 33 franchise remodels. In fiscal 2024, we plan to continue our standard practices for remodels, which includes completing a total of 15-20 company and 40-50 franchise remodels. Remodeling is a use of cash and has implications for our net property and depreciation line items on our consolidated balance sheets and statements of income, among others. The cost of our restaurant remodels varies depending on the scope of work required, but on average the investment is $0.3 million to $0.4 million per restaurant.

Loco Rewards

Our Loco Rewards loyalty program offers rewards that incentivize customers to visit our restaurants more often each month. Customers earn points for each dollar spent and points can be redeemed for multiple redemption options. If a customer does not earn or use points within a one-year period, their account is deactivated and all points expire. When a customer is part of the rewards program, the obligation to provide future discounts related to points earned is considered a separate performance obligation, to which a portion of the transaction price is allocated. The performance obligation related to loyalty points is deemed to have been satisfied, and the amount deferred in the balance sheet is recognized as revenue, when the points are transferred to a reward and redeemed, the reward or points have expired, or the likelihood of redemption is remote. A portion of the transaction price is allocated to loyalty points on a pro-rata basis, based on stand-alone selling price, as determined by menu pricing and loyalty point's terms.

In addition, customers can earn additional points and free entrées for a variety of engagement activities. As points are available for redemption past the quarter earned, a portion of the revenue associated with the earned points will be deferred until redemption or expiration. As of December 27, 2023, the amount of revenue deferred related to the earned points, net of redemptions, is $0.7 million. We had more than 3.7 million members in the Loco Rewards loyalty program as of December 27, 2023.

Key Financial Definitions

Revenue

Our revenue is derived from three primary sources: (i) company-operated restaurant revenue, (ii) franchise revenue, which is comprised primarily of franchise royalties and, to a lesser extent, franchise fees and sublease rental income, and (iii) franchise advertising fee revenue. See Note 15 "Revenue from Contracts with Customers" in the accompanying "Notes to Consolidated Financial Statements" in this Annual Report for further details regarding our revenue recognition policy.

Food and Paper Costs

Food and paper costs include the direct costs associated with food, beverage and packaging of our menu items. The components of food and paper costs are variable in nature, change with sales volume, are impacted by menu mix, and are subject to increases or decreases in commodity costs. We expect food and paper costs, particularly those items not subject to purchasing commitments, to increase in the short-term due to current inflationary pressures.

Labor and Related Expenses

Labor and related expenses include wages, payroll taxes, workers' compensation expense, benefits, and bonuses paid to our restaurant management teams. Like other expense items, we expect labor costs to grow proportionately as our restaurant revenue grows. Factors that influence labor costs include minimum wage and payroll tax legislation, state labor laws (which, in California, include AB 1228), overtime, wage inflation, the frequency and severity of workers' compensation claims, health care costs, and the performance of our restaurants.

Occupancy Costs and Other Operating Expenses

Occupancy costs include rent, common area maintenance ("CAM"), and real estate taxes. Other restaurant operating expenses include the costs of utilities, advertising, credit card processing fees, restaurant supplies, repairs and maintenance, and other restaurant operating costs.

Gain on Recovery of Insurance Proceeds, Net

Gain on recovery of insurance proceeds includes insurance reimbursements related to the property and equipment damage, expenses incurred, and lost profits.

General and Administrative Expenses

General and administrative expenses are comprised of expenses associated with corporate and administrative functions that support the development and operations of our restaurants, including compensation and benefits, travel expenses, stock compensation costs, legal and professional fees, and other related corporate costs. Also included are pre-opening costs, and expenses above the restaurant level, including salaries for field management, such as area and regional managers, and franchise field operational support.

Franchise Expenses

Franchise expenses are primarily comprised of rent expenses incurred on properties leased by us and then sublet to franchisees, and expenses incurred in support of franchisee information technology systems. Additionally, franchise expenses also include all expenses of the advertising fund representing the franchised restaurants portion of advertising expenses.

Depreciation and Amortization

Depreciation and amortization primarily consist of the depreciation of property and equipment, including leasehold improvements and equipment.

Loss on Disposal of Assets

Loss on disposal of assets includes the loss on disposal of assets related to retirements and replacement or write-off of leasehold improvements or equipment.

Impairment and Closed-Store Reserves

We review long-lived assets such as property, equipment, and intangibles on a unit-by-unit basis for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. We determine if there is impairment at the restaurant level by comparing undiscounted future cash flows from the related property and equipment assets to their respective carrying values and record an impairment charge when appropriate. In determining future cash flows, significant estimates are made by us with respect to future operating results of each restaurant over its remaining lease term, including sales trends, labor rates, commodity costs and other operating cost assumptions. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the assets' carrying amount exceeds its fair value. This process of assessing fair values requires the use of estimates and assumptions, including our ability to sell or reuse the related assets and market conditions, which are subject to a high degree of judgment. If these assumptions change in the future, we may be required to record impairment charges for these assets and these charges could be material.

When we close a restaurant, we will evaluate the right-of-use ("ROU") asset for impairment, based on anticipated sublease recoveries. The remaining value of the ROU asset is amortized on a straight-line basis, with the expense recognized in closed-store reserve expense, in addition to property tax and CAM charges for closed restaurants.

(Gain) loss on Disposition of Restaurants

(Gain) loss on disposal of restaurants includes the (gain) loss on the sale of restaurants to franchisees, or other third parties, and includes the difference between carrying value and sales price of leasehold improvements, equipment and other assets included in the sale.

Interest Expense, Net

Interest expense, net, consists primarily of interest on our outstanding revolving debt. Debt issuance costs are amortized on a straight-line basis over the life of the related debt.

Provision for Income Taxes

Provision for income taxes consists of federal and state tax expense on our income, and changes to our deferred tax asset and deferred tax liability.

Results of Operations

Fiscal Year 2023 Compared to Fiscal Year 2022

Our operating results for the fiscal years ended December 27, 2023 and December 28, 2022, in absolute terms and expressed as a percentage of total revenue, with the exception of cost of operations and company restaurant expenses, which are expressed as a percentage of company-operated restaurant revenue, are compared below:

	Fiscal Year					
	2023 (52-Weeks)		2022 (52-Weeks)		Increase / (Decrease)	
	($,000)	(%)	($,000)	(%)	($,000)	(%)
Statements of Income Data:						
Revenue						
Company-operated restaurant revenue	$ 398,437	85.0	$ 403,218	85.8	$ (4,781)	(1.2)
Franchise revenue	41,002	8.7	38,225	8.1	2,777	7.3
Franchise advertising fee revenue	29,225	6.3	28,516	6.1	709	2.5
Total revenue	**468,664**	**100.0**	**469,959**	**100.0**	**(1,295)**	**(0.3)**
Cost of operations						
Food and paper costs (1)	108,250	27.2	117,774	29.2	(9,524)	(8.1)
Labor and related expenses (1)	127,244	31.9	130,773	32.4	(3,529)	(2.7)
Occupancy and other operating expenses (1)	101,398	25.4	101,543	25.2	(145)	(0.1)
Gain on recovery of insurance proceeds, lost profits, net	(327)	(0.1)	—	—	(327)	N/A
Company restaurant expenses (1)	**336,565**	**84.5**	**350,090**	**86.8**	**(13,525)**	**(3.9)**
General and administrative expenses	42,025	9.0	39,093	8.3	2,932	7.5
Franchise expenses	38,404	8.2	36,169	7.7	2,235	6.2
Depreciation and amortization	15,235	3.3	14,418	3.1	817	5.7
Loss on disposal of assets	192	0.0	165	0.0	27	16.4
Gain on recovery of insurance proceeds, property, equipment and expenses	(247)	(0.1)	—	—	(247)	N/A
Gain on disposition of restaurants	(5,034)	(1.1)	(848)	(0.2)	4,186	493.6
Impairment and closed-store reserves	1,732	0.4	752	0.2	980	130.3
Total expenses	**428,872**	**91.5**	**439,839**	**93.6**	**(10,967)**	**(2.5)**
Income from operations	**39,792**	**8.5**	**30,120**	**6.4**	**9,672**	**32.1**
Interest expense, net	4,811	1.1	1,677	0.4	3,134	186.9
Income tax receivable agreement expense (income)	103	0.0	(436)	(0.1)	539	123.6
Income before provision for income taxes	**34,878**	**7.4**	**28,879**	**6.1**	**5,999**	**20.8**
Provision for income taxes	9,324	1.9	8,078	1.7	1,246	15.4
Net income	**$ 25,554**	**5.5**	**$ 20,801**	**4.4**	**$ 4,753**	**22.8**

(1) Percentages for line items relating to cost of operations and company restaurant expenses are calculated with company-operated restaurant revenue as the denominator. All other percentages use total revenue.

Company-Operated Restaurant Revenue

In fiscal 2023, company-operated restaurant revenue decreased $4.8 million, or 1.2%. The decrease in company-operated restaurant sales was primarily due to $10.5 million decrease in revenue from the 21 company-operated restaurants sold by the Company to existing franchisees and the closure of two restaurants, in each case, during or subsequent to the first quarter of 2022. This company-operated restaurant sales decrease was partially offset by an increase in company-operated comparable restaurant revenue of $1.2 million, or 0.3%. The company-operated comparable restaurant sales increase consisted of an approximately 2.3% increase in average check size due to increases in menu prices, partially offset by a 2.0% decrease in transactions. In addition, company-operated restaurant revenue was favorably impacted by $4.3 million of additional sales from the opening of six restaurants during or subsequent to the first quarter of 2022.

Franchise Revenue

In fiscal 2023, franchise revenue increased $2.8 million, or 7.3%. This increase was primarily due to revenue generated from 21 company-operated restaurants sold by the Company to existing franchisees and the opening of 12 restaurants, in each case, during or subsequent to the first quarter of 2022. This franchise revenue increase was partially offset by the franchise comparable restaurant sales decrease of 0.7%.

Franchise Advertising Fee Revenue

Franchise advertising fee revenue increased $0.7 million, or 2.5% from the comparable period in the prior year. As advertising fee revenue is a percentage of franchisees' revenue, the year-to-date fluctuation was due to the increases and decreases noted in franchise revenue above.

Food and Paper Costs

Food and paper costs decreased $9.5 million, or 8.1%, in fiscal 2023. The decrease in food and paper costs resulted primarily from lower transactions including restaurant locations sold to franchisees during the current or prior year, partially offset by commodity inflation. Food and paper costs as a percentage of company-operated restaurant revenue were 27.2% in fiscal 2023, down from 29.2% in fiscal 2022 primarily due to an increase in pricing, partially offset by commodity inflation.

Labor and Related Expenses

Labor and related expenses decreased $3.5 million, or 2.7%, in fiscal 2023. The decrease was primarily due to a $4.0 million decrease related to the 2.0% decrease in year-over-year sales transactions, a $2.9 million decrease in overtime pay due to improvements in operational execution and a $1.8 million decrease related to COVID-19 sick pay. The decrease in labor and related expenses for the year was partially offset by a $4.1 million increase primarily related to higher wage rates from minimum wage increases in California during fiscal 2023 and 2022 and other labor wage increases as a result of competitive pressure and a $1.9 million increase in labor related costs due to due to open restaurant management staffing positions in fiscal 2022 being filled during fiscal 2023. Labor and related expenses as a percentage of company-operated restaurant revenue were 31.9% in fiscal 2023, down from 32.4% in fiscal 2022 primarily due to the increase in pricing, and overtime and sick pay decreases, partially offset by the cost increases highlighted above.

Occupancy and Other Operating Expenses

Occupancy and other operating expenses decreased $0.1 million, or 0.1%, in fiscal 2023. The decrease was primarily due to a $0.8 million decrease in utilities and a $0.3 million decrease in market place delivery fees. The decrease in occupancy and other operating expenses was partially offset by a $1.0 million increase in occupancy cost. Occupancy and other operating expenses as a percentage of company-operated restaurant revenue were 25.4% in fiscal 2023, up from 25.2% in fiscal 2022 primarily due to the cost increases highlighted above.

Gain on Recovery of Insurance Proceeds, Lost Profits

During fiscal 2023 and fiscal 2022, two of our restaurants incurred damage resulting from a fire. In fiscal 2023, we incurred costs directly related to the fire of less than $0.1 million. We recognized gains of $0.2 million, related to the reimbursement of property and equipment and expenses incurred and $0.3 million related to the reimbursement of lost profits. The gain on recovery of insurance proceeds and reimbursement of lost profits, net of the related costs, is included in the accompanying consolidated statements of income, for the year ended December 27, 2023, as a reduction of company restaurant expenses. We received from the insurance company cash of $0.5 million, net of the insurance deductible, during fiscal 2023.

General and Administrative Expenses

General and administrative expenses increased $2.9 million, or 7.5%, in fiscal 2023. The increase was due primarily to a $1.4 million increase in labor related costs, primarily related to an increase in estimated management bonus expense, a $1.1 million increase in restructuring costs related to certain positions in the organization, and a $0.6 million increase in

executive transition costs. General and administrative expenses as a percentage of total revenue were 9.0% in fiscal 2023, up from 8.3% in fiscal 2022. This increase is primarily due to the cost increases described above.

Franchise Expenses

Franchise expenses increased $2.2 million, or 6.2%, in fiscal 2023. The increase was primarily due to an increase in advertising expenses, primarily resulting from higher franchise revenue, higher franchise services expense and higher rent expense for locations sub-leased to franchisees that have a portion of the rent based on a percentage of revenue generated.

Gain on Disposition of Restaurants

During fiscal 2023, we completed the sale of 18 restaurants within California, Utah and Texas to existing franchisees. We determined that these restaurant dispositions represent multiple element arrangements, and as a result, the cash consideration received was allocated to the separate elements based on their relative standalone selling price. Cash proceeds included upfront consideration for the sale of the restaurants and franchise fees. The cash consideration per restaurant related to franchise fees is consistent with the amounts stated in the related franchise agreements, which are charged for separate standalone arrangements. We initially defer and subsequently recognize the franchise fees over the term of the franchise agreement. During fiscal 2023, these sales resulted in cash proceeds of $7.7 million and a net gain on sale of restaurants of $5.0 million. Since the date of their sale, these restaurants are now included in the total number of franchised El Pollo Loco restaurants.

During fiscal 2022, we completed the sale of three company-operated restaurants within the Orange County area to an existing franchisee. We determined that these restaurant dispositions represent multiple element arrangements, and as a result, the cash consideration received was allocated to the separate elements based on their relative standalone selling price. Cash proceeds included upfront consideration for the sale of the restaurants and franchise fees. The cash consideration per restaurant related to franchise fees is consistent with the amounts stated in the related franchise agreements, which are charged for separate standalone arrangements. We initially defer and subsequently recognize the franchise fees over the term of the franchise agreement. This sale resulted in cash proceeds of $1.0 million and a net gain on sale of restaurants of $0.8 million for the fiscal year ended December 28, 2022. These restaurants are included in the total number of franchised El Pollo Loco restaurants.

Impairment and Closed-Store Reserves

During fiscal 2023, we recorded a $1.5 million non-cash impairment charge primarily related to the property and equipment assets of one restaurant in Nevada and the carrying value of the ROU assets of one restaurant in California. During fiscal 2022, we recorded a $0.5 million non-cash impairment charge primarily related to the carrying value of the ROU assets of one restaurant in California that closed in 2021 and the property and equipment assets of two restaurants in California.

During fiscal 2023, we recognized $0.2 million of closed-store reserve expense related to the amortization of ROU assets, property taxes and CAM payments for our closed locations compared to $0.3 million during fiscal 2022.

Interest Expense, Net

For fiscal 2023, net interest expense, increased by $3.1 million, primarily related to higher outstanding balances on our 2022 Revolver (as defined below) as well as the higher interest rates during fiscal 2023 versus the comparable period during the prior year.

Income Tax Receivable Agreement

On July 30, 2014, we entered into the income tax receivable agreement (the “TRA”). The TRA calls for us to pay to our pre-IPO stockholders 85% of the savings in cash that we realize in our taxes as a result of utilizing our net operating losses and other tax attributes attributable to preceding periods. In fiscal 2023 and fiscal 2022 we recognized income tax receivable agreement expense of $0.1 million and income of $0.4 million, respectively. In fiscal 2023 and 2022, we paid $0.3 million and $0.4 million, respectively, to our pre-IPO stockholders under the TRA.

Provision for Income Taxes

In fiscal 2023, we recorded an income tax expense of $9.4 million, compared to income tax expense of $8.1 million in fiscal 2022, reflecting an estimated effective tax rate of 26.7% and 28.0%, respectively. The difference between the 21.0% statutory rate and our effective tax rate of 26.7% for the year ended December 27, 2023 is primarily a result of windfall tax benefit related to stock options exercised, state taxes, a Work Opportunity Tax Credit benefit and the corresponding valuation allowance release in connection with the California Enterprise Zone credits expiration.

The difference between the 21.0% statutory rate and our effective tax rate of 28.0% for the year ended December 28, 2022 is primarily a result of state taxes, the change in valuation allowance against certain state credits, a tax shortfall related to equity compensation and non-deductible executive compensation, partially offset by a Work Opportunity Tax Credit benefit.

Fiscal Year 2022 Compared to Fiscal Year 2021

Year-to-year comparisons of fiscal 2022 and fiscal 2021 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 on our Annual Report on Form 10-K for the year ended December 28, 2022, which was filed with the SEC on March 10, 2023.

Key Performance Indicators

To evaluate the performance of our business, we utilize a variety of financial and performance measures. These key measures include company-operated restaurant revenue, system-wide sales, comparable restaurant sales, company-operated average unit volumes ("AUV"), restaurant contribution, restaurant contribution margin, new restaurant openings, EBITDA, and Adjusted EBITDA. In fiscal 2023, our restaurants generated company-operated restaurant revenue of $398.4 million and system-wide sales of $1,050.2 million, and system comparable sales decline of 0.3%, consisting of company-operated restaurant comparable sales growth of 0.3% and franchised comparable sales decline of 0.7%. The company-operated comparable sales increase consisted of a 2.3% increase in average check size due to increases in menu prices and partially offset by a 2.0% decrease in transactions. In fiscal 2023, for company-operated restaurants, our annual AUV was $2.2 million, restaurant contribution margin was 15.5%, and Adjusted EBITDA was $57.8 million.

Company-Operated Restaurant Revenue

Company-operated restaurant revenue consists of sales of food and beverages in company-operated restaurants net of promotional allowances, employee meals, and other discounts. Company-operated restaurant revenue in any period is directly influenced by the number of operating weeks in such period, the number of open restaurants, and comparable restaurant sales.

Seasonal factors and the timing of holidays cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters due to reduced January and December transactions and higher in the second and third quarters. As a result of seasonality, our quarterly and annual results of operations and key performance indicators such as company-operated restaurant revenue and comparable restaurant sales may fluctuate.

System-Wide Sales

System-wide sales are neither required by, nor presented in accordance with, accounting principles generally accepted in the United States of America ("GAAP"). System-wide sales are the sum of company-operated restaurant revenue and sales from franchised restaurants. Our total revenue in our consolidated statements of income is limited to company-operated restaurant revenue and franchise revenue from our franchisees. Accordingly, system-wide sales should not be considered in isolation or as a substitute for our results as reported under GAAP. Management believes that the presentation of system-wide sales provides useful information to investors because it is a measure that is widely used in the restaurant industry, including by our management, to evaluate brand scale and market penetration.

The following table reconciles system-wide sales to company-operated restaurant revenue and total revenue:

(Dollar amounts in thousands)	Fiscal Year 2023 (52-Weeks)	2022 (52-Weeks)	2021 (52-Weeks)
Company-operated restaurant revenue	$ 398,437	$ 403,218	$ 394,733
Franchise revenue	41,002	38,225	33,729
Franchise advertising fee revenue	29,225	28,516	25,901
Total Revenue	468,664	469,959	454,363
Franchise revenue	(41,002)	(38,225)	(33,729)
Franchise advertising fee revenue	(29,225)	(28,516)	(25,901)
Sales from franchised restaurants	651,777	635,819	578,497
System-wide sales	$ 1,050,214	$ 1,039,037	$ 973,230

Comparable Restaurant Sales

Comparable restaurant sales reflect year-over-year sales changes for comparable company-operated, franchised, and system-wide restaurants. A restaurant enters our comparable restaurant base the first full week after it has operated for fifteen months. Comparable restaurant sales exclude restaurants closed during the applicable period. At December 27, 2023, December 28, 2022 and December 29, 2021, there were 470, 464 and 464 comparable restaurants, 178, 184 and 187 company-operated and 292, 280 and 276 franchised, respectively. Comparable restaurant sales indicate the performance of existing restaurants, since new restaurants are excluded. Comparable restaurant sales growth can be generated by an increase in the number of meals sold and/or by increases in the average check size, resulting from a shift in menu mix and/or higher prices resulting from new products or price increases. Because other companies may calculate this measure differently than we do, comparable restaurant sales as presented herein may not be comparable to similarly titled measures reported by other companies. Management believes that comparable restaurant sales is a valuable metric for investors to evaluate the performance of our store base, excluding the impact of new stores and closed stores.

Company-Operated Average Unit Volumes

We measure company-operated AUVs on both a weekly and an annual basis. Weekly AUVs consist of comparable restaurant sales over a seven-day period from Thursday to Wednesday. Annual AUVs are calculated using a step process. First, we divide our total net sales for all company-operated restaurants for the fiscal year by the total number of restaurant operating weeks during the same period. Second, we annualize that average weekly per-restaurant sales figure by multiplying it by 52. An operating week is defined as a restaurant open for business over a seven-day period from Thursday to Wednesday. This measurement allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base.

Restaurant Contribution and Restaurant Contribution Margin

Restaurant contribution and restaurant contribution margin are neither required by, nor presented in accordance with, GAAP. Restaurant contribution is defined as company-operated restaurant revenue less company restaurant expenses which includes food and paper cost, labor and related expenses and occupancy and other operating expenses, where applicable. Restaurant contribution therefore excludes franchise revenue, franchise advertising fee revenue and franchise expenses as well as certain other costs, such as general and administrative expenses, franchise expenses, depreciation and amortization, impairment and closed-store reserve, loss on disposal of assets and other costs that are considered corporate-level expenses and are not considered normal operating costs of our restaurants. Accordingly, restaurant contribution is not indicative of overall Company results and does not accrue directly to the benefit of shareholders because of the exclusion of certain corporate-level expenses. Restaurant contribution margin is defined as restaurant contribution as a percentage of net company-operated restaurant revenue.

Restaurant contribution and restaurant contribution margin are supplemental measures of operating performance of our restaurants, and our calculations thereof may not be comparable to those reported by other companies. Restaurant contribution and restaurant contribution margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Management uses restaurant contribution and restaurant contribution margin as key metrics to evaluate the profitability of incremental sales at our restaurants, to evaluate our restaurant performance across periods, and to evaluate our restaurant financial performance compared with

our competitors. Management believes that restaurant contribution and restaurant contribution margin are important tools for investors, because they are widely-used metrics within the restaurant industry to evaluate restaurant-level productivity, efficiency, and performance. Management further believes restaurant level operating margin is useful to investors to highlight trends in our core business that may not otherwise be apparent to investors when relying solely on GAAP financial measures.

A reconciliation of restaurant contribution and restaurant contribution margin to company-operated restaurant revenue is provided below:

	Fiscal Year		
(Dollar amounts in thousands)	2023 (52-Weeks)	2022 (52-Weeks)	2021 (52-Weeks)
Restaurant contribution:			
Income from operations	$ 39,792	$ 30,120	$ 41,335
Add (less):			
General and administrative expenses	42,025	39,093	39,852
Franchise expenses	38,404	36,169	32,831
Depreciation and amortization	15,235	14,418	15,176
Loss on disposal of assets	192	165	289
Gain on recovery of insurance proceeds, property, equipment and expenses	(247)	—	—
Franchise revenue	(41,002)	(38,225)	(33,729)
Franchise advertising fee revenue	(29,225)	(28,516)	(25,901)
Impairment and closed-store reserves	1,732	752	1,087
(Gain) loss on disposition of restaurants	(5,034)	(848)	1,534
Restaurant contribution	$ 61,872	$ 53,128	$ 72,474
Company-operated restaurant revenue:			
Total revenue	$ 468,664	$ 469,959	$ 454,363
Less:			
Franchise revenue	(41,002)	(38,225)	(33,729)
Franchise advertising fee revenue	(29,225)	(28,516)	(25,901)
Company-operated restaurant revenue	$ 398,437	$ 403,218	$ 394,733
Restaurant contribution margin (%)	15.5 %	13.2 %	18.4 %

New Restaurant Openings

The number of restaurant openings reflects the number of new restaurants opened by us and our franchisees during a particular reporting period. Before a new restaurant opens, we and our franchisees incur pre-opening costs, as described below. New restaurants often open with an initial start-up period of higher than normal sales volumes, which subsequently decrease to stabilized levels. New restaurants typically experience normal inefficiencies in the form of higher food and paper, labor, and other direct operating expenses and, as a result, restaurant contribution margins are generally lower during the start-up period of operation. The average start-up period after which our new restaurants' revenue and expenses normalize is approximately fourteen weeks. When we enter new markets, we may be exposed to start-up times and restaurant contribution margins that are longer and lower than reflected in our average historical experience.

EBITDA and Adjusted EBITDA

EBITDA represents net income (loss) before interest expense, provision (benefit) for income taxes, depreciation, and amortization. Adjusted EBITDA represents net income (loss) before interest expense, provision (benefit) for income taxes, depreciation, amortization, and items that we do not consider representative of our on-going operating performance, as identified in the reconciliation table below.

EBITDA and Adjusted EBITDA as presented in this Annual Report are supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. EBITDA and Adjusted EBITDA are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income, operating income, or any other performance measures derived in accordance with GAAP, or as alternatives to cash flow

from operating activities as a measure of our liquidity. In addition, in evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses or charges such as those added back to calculate EBITDA and Adjusted EBITDA. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are (i) they do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) they do not reflect changes in, or cash requirements for, our working capital needs, (iii) they do not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our debt, (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements, (v) they do not adjust for all non-cash income or expense items that are reflected in our statements of cash flows, (vi) they do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our on-going operations, and (vii) other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from such non-GAAP financial measures. We further compensate for the limitations in our use of non-GAAP financial measures by presenting comparable GAAP measures more prominently.

Management believes that EBITDA and Adjusted EBITDA facilitate operating performance comparisons from period to period by isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and Adjusted EBITDA because (i) management believes that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) management believes that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use EBITDA and Adjusted EBITDA internally as benchmarks to compare our performance to that of our competitors.

The following table sets forth reconciliations of our net income to EBITDA and Adjusted EBITDA:

(Amounts in thousands)	Fiscal Year 2023 (52-Weeks)	2022 (52-Weeks)	2021 (52-Weeks)
Net income	$ **25,554**	$ **20,801**	$ **29,121**
Non-GAAP adjustments:			
Provision for income taxes	9,324	8,078	10,332
Interest expense, net of interest income	4,811	1,677	1,824
Depreciation and amortization	15,235	14,418	15,176
EBITDA	$ 54,924	$ 44,974	$ 56,453
Stock-based compensation expense (a)	3,337	3,491	3,220
Loss on disposal of assets (b)	192	165	289
Impairment and closed-store reserves (c)	1,732	752	1,087
(Gain) loss on disposition of restaurants (d)	(5,034)	(848)	1,534
Income tax receivable agreement expense (income) (e)	103	(436)	58
Securities class action legal expense (f)	—	443	495
Special dividend (g)	129	350	—
Legal settlements (h)	—	(541)	—
Special legal expenses (i)	137	—	—
Shareholder advisory fees (j)	293	—	—
Gain on recovery of insurance proceeds (k)	(399)	—	—
Executive transition costs (l)	618	—	—
Severance (m)	1,055	—	—
Pre-opening costs (n)	269	326	259
Adjusted EBITDA	$ 57,356	$ 48,676	$ 63,395

(a) Includes non-cash, stock-based compensation.

(b) Loss on disposal of assets includes the loss on disposal of assets related to retirements and replacement or write-off of leasehold improvements or equipment.

(c) Includes costs related to impairment of property and equipment and ROU assets and closing restaurants. During fiscal 2023, we recorded non-cash impairment charges of $1.5 million, primarily related to the property and equipment assets of one restaurant in Nevada and the carrying value of the ROU assets of one restaurant in California. During fiscal 2023, we recognized $0.2 million of closed-store reserve expense, primarily related to the amortization of ROU assets, property taxes and CAM payments for our closed locations.

In fiscal 2022, we recorded non-cash impairment charges of $0.5 million for the year ended December 28, 2022, primarily related to the carrying value of the ROU assets of one restaurant in California that closed in 2021 and the property and equipment assets of two restaurants in California. During fiscal 2022, we recognized $0.3 million of closed-store reserve expense, primarily related to the amortization of ROU assets, property taxes and CAM payments for our closed locations.

In fiscal 2021, we recorded non-cash impairment charges of $0.7 million for the year ended December 29, 2021, primarily related to the carrying value of one restaurant in Texas that closed in 2019, the ROU assets of one restaurant in California closed in 2021, and the property and equipment assets of three restaurants in California. During fiscal 2021, we recognized $0.4 million of closed-store reserve expense, primarily related to the amortization of ROU assets, property taxes and CAM payments for our closed locations.

(d) During fiscal 2023, we completed the sale of 18 company-operated restaurants within California, Utah and Texas to existing franchisees. These sales during 2023 resulted in cash proceeds of $7.7 million and a net gain on sale of restaurants of $5.0 million for the year ended December 27, 2023. During fiscal 2022, we completed the sale of three company-operated restaurants within the Orange County area to an existing franchisee. This sale during 2022 resulted in cash proceeds of $1.0 million and a net gain on sale of restaurants of $0.8 million for the year ended December 28, 2022. During fiscal 2021, we completed the sale of our eight restaurants within Sacramento area to an

existing franchisee. This sale resulted in cash proceeds of $4.6 million during the year ended December 29, 2021 and a net loss on sale of restaurants of $1.5 million for the year ended December 29, 2021.

(e) On July 30, 2014, we entered into the TRA. This agreement calls for us to pay to our pre-IPO stockholders 85% of the savings in cash that we realize in our taxes as a result of utilizing our net operating losses and other tax attributes attributable to preceding periods. For the years ended December 27, 2023, December 28, 2022 and December 29, 2021, income tax receivable agreement (income) expense consisted of the amortization of interest expense and changes in estimates for actual tax returns filed, related to our total expected TRA payments.

(f) Consists of costs related to the defense of securities lawsuits. During the year ended December 29, 2021, we received $0.5 million in insurance proceeds, net of legal expenses, related to the derivative complaint. See Note 13 “Commitments and Contingencies—Legal Matters” in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report.

(g) During fiscal 2023 and fiscal 2022, we encountered costs related to a special dividend declaration. On October 11, 2022, the Board of Directors declared a special dividend of $1.50 per share on our common stock. The special dividend was paid on November 9, 2022, to stockholders of record, including holders of restricted stock, at the close of business on October 24, 2022.

(h) Includes $0.5 million received from legal settlements, net of legal expenses.

(i) Consists of legal costs related to the share distribution that occurred on March 28, 2023. Refer to Note 14, “Related Party Transactions” for further details on the share distribution.

(j) Consists of advisory fees pertaining to a Shareholder Rights Agreement adopted in connection with a shareholder’s accumulation of a significant amount of shares of our common stock. Refer to Note 16, “Shareholder Rights Agreement” for further details on the Shareholder Rights Agreement.

(k) During fiscal 2023 and fiscal 2022, two of our restaurants incurred damage resulting from a fire. In fiscal 2023, we incurred costs directly related to the fire of less than $0.1 million. We recognized gains of $0.2 million, related to the reimbursement of property and equipment and expenses incurred and $0.3 million related to the reimbursement of lost profits. The gain on recovery of insurance proceeds and reimbursement of lost profits, net of the related costs is included in the accompanying consolidated statements of income, for fiscal 2023, as a reduction of company restaurant expenses. We received from the insurance company cash of $0.5 million, net of the insurance deductible, during fiscal 2023.

(l) Includes costs associated with the transition of our CEO, such as severance, executive recruiting costs and stock-based compensation costs associated with the transition of our former CEO.

(m) On April 13, 2023 the Company made the decision to eliminate and restructure certain positions in the organization, which resulted in one-time costs of approximately $1.1 million.

(n) Pre-opening costs are a component of general and administrative expenses, and consist of costs directly associated with the opening of new restaurants and incurred prior to opening, including management labor costs, staff labor costs during training, food and supplies used during training, marketing costs, and other related pre-opening costs. These are generally incurred over the three to five months prior to opening. Pre-opening costs also include occupancy costs incurred between the date of possession and the opening date for a restaurant.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources have been cash provided from operations, cash and cash equivalents, and the 2022 Revolver (as defined below). Our primary requirements for liquidity and capital are new restaurants, existing restaurant capital investments (remodels and maintenance), legal defense costs, lease obligations, interest payments on our debt, working capital and general corporate needs. Our working capital requirements are not significant, since our customers pay for their purchases in cash or by payment card (credit or debit) at the time of sale. Thus, we are able to sell many of our inventory items before we have to pay our suppliers. Our restaurants do not require significant inventories or receivables. We believe that these sources of liquidity and capital are sufficient to finance our

continued operations, including planned capital expenditures, for at least the next 12 months and beyond from the issuance of the consolidated financial statements.

However, depending on macroeconomic conditions, our financial performance and liquidity could be further impacted and could impact our ability to meet certain financial covenants required in our 2022 Credit Agreement (as defined in Note 6 "Long-Term Debt"), specifically the lease-adjusted coverage ratio and fixed-charge coverage ratio.

Cash Flows

The following table presents summary cash flow information for the years indicated:

	Fiscal Year		
(Amounts in thousands)	2023 (52-Weeks)	2022 (52-Weeks)	2021 (52-Weeks)
Net cash (used in) provided by			
Operating activities	$ 40,688	$ 38,549	$ 52,099
Investing activities	(13,447)	(18,915)	(12,485)
Financing activities	(40,446)	(29,187)	(22,787)
Net (decrease) increase in cash	$ (13,205)	$ (9,553)	$ 16,827

Operating Activities

In fiscal 2023, net cash provided by operating activities increased by $2.1 million compared to fiscal 2022. This increase was due primarily to an increase in profitability and favorable working capital fluctuations during fiscal 2023.

In fiscal 2022, net cash provided by operating activities decreased by $13.6 million compared to fiscal 2021. This decrease was due primarily to lower profitability and unfavorable working capital fluctuations during fiscal 2022.

Investing Activities

In fiscal 2023, net cash used in investing activities decreased by $5.5 million compared to fiscal 2022. This decrease was due primarily to cash proceeds of $7.7 million received during fiscal 2023 related to the sale of nine company-operated restaurants within Texas to an existing franchisee, eight company-operated restaurants within California to existing franchisees and one company-operated restaurant in Utah to another existing franchisee.

In fiscal 2022, net cash used in investing activities increased by $6.4 million compared to fiscal 2021. This increase was due primarily to opening four new company-operated restaurants during fiscal 2022 compared to opening two new company-operated restaurants during fiscal 2021. This was partially offset by cash proceeds of $1.0 million received during fiscal 2022 related to the sale of three restaurants within the Orange County area to an existing franchisee compared to cash proceeds of $4.6 million received during fiscal 2021 related to the sale of eight restaurants within the Sacramento area to an existing franchisee.

Financing Activities

In fiscal 2023, net cash used in financing activities increased by $11.3 million compared to fiscal 2022. The increase was due primarily to repurchases of common stock of $59.2 million during fiscal 2023. This increase was partially offset by $18.0 million in net borrowings on the 2022 Revolver during fiscal 2023 compared to the net pay downs of $26.0 million on the 2022 Revolver during fiscal 2022.

In fiscal 2022, net cash used in financing activities increased by $6.4 million compared to fiscal 2021. This change was due primarily to a special dividend payout of $56.0 million during fiscal 2022 partially offset by net borrowings on the 2022 Revolver of $26.0 million, compared to net pay downs of $22.8 million in fiscal 2021. Additionally, this change was due to a $1.7 million cash inflow related to option exercises during the year ended December 28, 2022, compared to a $0.9 million cash inflow during the year ended December 29, 2021.

Debt and Other Obligations

The Company, as a guarantor, is a party to a credit agreement (the "2022 Credit Agreement") among EPL, as borrower, Intermediate, as a guarantor, Bank of America, N.A., as administrative agent, swingline lender, and letter of credit issuer, the lenders party thereto, and the other parties thereto, which provides for a $150.0 million five-year senior secured revolving credit facility (the "2022 Revolver"). The 2022 Revolver, which is available pursuant to the 2022 Credit Agreement, includes a sub limit of $15.0 million for letters of credit and a sub limit of $15.0 million for swingline loans. The 2022 Revolver and 2022 Credit Agreement will mature on July 27, 2027. The obligations under the 2022 Credit Agreement and related loan documents are guaranteed by Holdings and Intermediate. The obligations of Holdings, EPL and Intermediate under the 2022 Credit Agreement and related loan documents are secured by a first priority lien on substantially all of their respective assets.

The special dividend announced by the Company's Board of Directors on October 11, 2022 was permitted under the terms of 2022 Revolver pursuant to both subclause (iii)(d) and (iii)(e) of the following sentence. Under the 2022 Revolver, Holdings is restricted from making certain payments such as cash dividends, except that it may, inter alia, (i) pay up to $1.0 million per year to repurchase or redeem qualified equity interests of Holdings held by our past or present officers, directors, or employees (or their estates) upon death, disability, or termination of employment, (ii) pay under its TRA, and (iii) so long as no default or event of default has occurred and is continuing, (a) make non-cash repurchases of equity interests in connection with the exercise of stock options by directors, officers and management, provided that those equity interests represent a portion of the consideration of the exercise price of those stock options, (b) pay up to $0.5 million in any 12 month consecutive period to redeem, repurchase or otherwise acquire equity interests of any subsidiary that is not a wholly-owned subsidiary from any holder of equity interest in such subsidiary, (c) pay up to $2.5 million per year pursuant to stock option plans, employment agreements, or incentive plans, (d) make up to $5.0 million in other restricted payments per year, and (e) make other restricted payments, subject to its compliance, on a pro forma basis, with (x) a lease-adjusted consolidated leverage ratio not to exceed 4.25 times and (y) the financial covenants applicable to the 2022 Revolver.

Borrowings under the 2022 Credit Agreement (other than any swingline loans) bear interest, at the borrower's option, at rates based upon either the secured overnight financing rate ("SOFR") or a base rate, plus, for each rate, a margin determined in accordance with a lease-adjusted consolidated leverage ratio-based pricing grid. The base rate is calculated as the highest of (a) the federal funds rate plus 0.50%, (b) the published Bank of America prime rate, or (c) Term SOFR with a term of one-month SOFR plus 1.00%. For Term SOFR loans, the margin is in the range of 1.25% to 2.25%, and for base rate loans the margin is in a range of 0.25% to 1.25%. Borrowings under the 2022 Revolver may be repaid and reborrowed. For borrowings under the 2022 Revolver during fiscal 2023, the interest rate range was 5.7% to 7.0%. For borrowings under the 2022 Revolver and 2018 Revolver during fiscal 2022, the interest rate range was 1.4% to 6.0%. The interest rate under the 2022 Revolver was 7.0% at December 27, 2023 and 5.7% under the 2022 Revolver at December 28, 2022.

The 2022 Credit Agreement contains certain financial covenants. We were in compliance with the financial covenants as of December 27, 2023.

At December 27, 2023, $9.8 million of letters of credit and $84.0 million of the revolving line of credit were outstanding. The amount available under the revolving line of credit was $56.2 million at December 27, 2023.

During the year ended December 28, 2022, we refinanced and terminated our credit agreement (the "2018 Credit Agreement") among EPL, as borrower, the Company and Intermediate, as guarantors, Bank of America, N.A., as administrative agent, swingline lender, and letter of credit issuer, the lenders party thereto, and the other parties thereto, which provided for a $150.0 million five-year senior secured revolving credit facility (the "2018 Revolver") and entered into the 2022 Credit Agreement. See Note 6, "Long-Term Debt" in the accompanying "Notes to Consolidated Financial Statements" in this Annual Report for additional information.

Material Cash Requirements

Our total capital expenditures for 2023 were $21.3 million. In 2023, we spent approximately $5.1 million on the development and construction of our new restaurants. The remaining $16.2 million of capital expenditures during 2023 were related to investments in existing restaurants, including new equipment and hardware, technology to optimize efficiencies, remodeling and similar improvements. In 2024, we expect to incur between $25.0 million and $28.0 million in total capital expenditures, of which we expect $4.0 million to $6.0 million will be related to our construction of new restaurants, and $19.0 million to $21.0 million will be related to investments in existing restaurants, including new

equipment and hardware, technology to optimize efficiencies, remodeling and similar improvements. Finally, we expect a portion of our incurred capital expenditures in 2024 to be for additional corporate initiatives, including investments in technology for support centers to boost innovation, enhancing the customer experience, and improving operations. We expect to fund these capital expenditures primarily with operating cash flows.

The following table summarizes our other current and long-term material cash requirements as of December 27, 2023, which we expect to fund primarily with operating cash flows:

	Payments Due by Period				
(Amounts in thousands)	Total	2024	2025 - 2026	2027 - 2028	2029 and thereafter
Operating leases [1]	$ 243,888	$ 28,328	$ 52,169	$ 44,965	$ 118,426
Finance leases [1]	2,155	191	341	247	1,376
Long-term debt [2]	101,245	5,682	11,275	84,288	—
Income tax receivable agreement [3]	422	422	—	—	—
Purchasing commitments—chicken[4]	31,298	31,298	—	—	—
Total	$ 379,008	$ 65,921	$ 63,785	$ 129,500	$ 119,802

(1) ***Operating and Finance Leases*** — Represents future minimum lease payments for our restaurants and the principal payments during the lease terms, respectively. Refer to Note 5 “Leases” in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report for further details regarding our obligations and the timing of expected payments.

(2) ***Long-Term Debt*** — Represents our contractual debt obligations. Includes expected interest expenses, calculated based on applicable interest rates at December 27, 2023. Refer to Note 6 “Long-Term Debt” in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report for further details regarding our obligations and the timing of expected payments.

(3) ***Income Tax Receivable Agreement*** — Represents payments to our pre-IPO stockholders under the TRA. Refer to Note 9 “Income Taxes” in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report for further details regarding our obligations and the timing of expected payments.

(4) ***Purchasing Commitments (Chicken)*** — Reflects contractual purchase commitments for goods related to restaurant operations. Refer to Note 13 “Commitments and Contingencies” in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report for further details regarding our obligations.

Share Repurchase Programs

On October 11, 2022, our Board of Directors approved the 2022 Stock Repurchase Plan under which we were authorized to repurchase up to $20.0 million of shares of our common stock through March 28, 2024.

Under the 2022 Stock Repurchase Plan, we were permitted to repurchase our common stock from time to time, in amounts and at prices that we deemed appropriate, subject to market conditions and other considerations. Pursuant to the 2022 Stock Repurchase Plan, we were authorized to repurchase shares of our common stock using open market purchases, including pursuant to Rule 10b5-1 trading plans, and/or through privately negotiated transactions. As of September 27, 2023, the program was completed.

Further, on October 31, 2023, our Board of Directors approved another share repurchase program under which we are authorized to repurchase up to $20.0 million of shares of our common stock. The repurchase program will terminate on March 31, 2025, may be modified, suspended or discontinued at any time, and does not obligate us to acquire any particular number of shares.

Repurchase Agreements

On August 7, 2023, we entered into a Stock Repurchase Agreement with FS Equity Partners V, L.P. and FS Affiliates V, L.P. (together, the "Sellers"), pursuant to which we agreed to purchase an aggregate of 2,500,000 shares of our common stock from the Sellers at a price of $10.63 per share for a total purchase price of $26.6 million. The repurchase was completed in August 2023.

Prior to the repurchase, Freeman Spogli & Co. ("Freeman Spogli"), collectively with the Sellers and certain other funds managed by Freeman Spogli, was our largest stockholder. In addition, John Roth, a director of the Company until his resignation on August 16, 2023, is a general partner of Freeman Spogli and its chief executive officer.

Further, on November 29, 2023, we entered into a second Stock Repurchase Agreement with the Sellers (the "Repurchase Agreement"), pursuant to which we agreed to purchase an aggregate of 1,500,000 shares of our common stock from the Sellers at a price of $8.40 per share, representing the closing price of such shares as listed on Nasdaq on November 29, 2023, for a total purchase price of $12,600,000. The repurchase was completed on December 4, 2023. Following completion of this repurchase, approximately $7.4 million of our common stock remained available for repurchase under the share repurchase program at December 27, 2023.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances in making judgments about the carrying value of assets and liabilities that are not readily available from other sources. We evaluate our estimates on an on-going basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. Management believes that the critical accounting policies and estimates discussed below involve the most difficult management judgments, due to the sensitivity of the methods and assumptions used. Our significant accounting policies are described in Note 2 "Summary of Significant Accounting Policies" in the accompanying "Notes to Consolidated Financial Statements" in this Annual Report.

Revenue Recognition

We record revenue from company-operated restaurants as food and beverage products are delivered to customers and payment is tendered at the time of sale. We present sales net of sales-related taxes and promotional allowances. In the case of gift card sales, we record revenue when the gift card is redeemed by the customer. We record royalties from franchised restaurant sales based on a percentage of restaurant revenues in the period that the related franchised restaurants' revenues are earned. The initial franchise services, or exclusivity of the development agreements, are not distinct from the continuing rights or services offered during the term of the franchise agreement and are, therefore, treated as a single performance obligation. As such, initial franchise and development fees received, and subsequent renewal fees, are recognized over the franchise, or renewal, term, which is typically 20 years.

Goodwill and Indefinite-Lived Intangible Assets, Net

Intangible assets consist primarily of goodwill and trademarks.

We do not amortize our goodwill and indefinite-lived intangible assets. We perform an annual impairment test for goodwill during the fourth fiscal quarter of each year, or more frequently if impairment indicators arise.

We perform an annual impairment test for indefinite-lived intangible assets during the fourth fiscal quarter of each year, or more frequently if impairment indicators arise. An impairment test consists of either a qualitative assessment or a comparison of the fair value of an intangible asset with its carrying amount. The excess of the carrying amount of an intangible asset over its fair value is its impairment loss.

These assumptions used in our estimates of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that we use in our forward-looking operating plans. These assumptions

are subject to change as a result of changing economic and competitive conditions. Changes in these estimates and assumptions could materially affect our determinations of fair value and impairment.

Upon the sale or refranchising of a restaurant, we evaluate whether there is a decrement of goodwill. The amount of goodwill included in the cost basis of the asset sold is determined based on the relative fair value of the portion of the reporting unit disposed of compared to the fair value of the reporting unit retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. We determined that, in connection with the sale of 18 units, there were indicators of potential impairment of our goodwill and indefinite-lived intangible assets during fiscal 2023. After completing the impairment analysis, we did not record any decrement to goodwill related to the disposition of restaurants in fiscal 2023, 2022 and 2021.

Property and Equipment and ROU Assets

We state the value of our property and equipment, including primarily leasehold improvements and restaurant equipment, furniture, and fixtures, at cost, minus accumulated depreciation and amortization.

We review our property and equipment and ROU assets for impairment on a restaurant-by-restaurant basis whenever events or changes in circumstances indicate that the carrying value of certain assets may not be recoverable. We consider a triggering event to have occurred related to a specific restaurant if the restaurant's AUV for the last twelve months are less than a minimum threshold or if consistent levels of undiscounted cash flows for the remaining lease period are less than the carrying value of the restaurant's assets. If we conclude that the carrying value of certain assets will not be recovered based on expected undiscounted future cash flows, an impairment write-down is recorded to reduce the assets to their estimated fair value. The fair value is measured on a nonrecurring basis using unobservable (Level 3) inputs. There is uncertainty in the projected undiscounted future cash flows used in our impairment review analysis. Further, the projected undiscounted future cash flows require management to develop estimates and assumptions about future revenue transaction growth rates, menu pricing changes, and restaurant operating margins, which are made more uncertain by the impact of the current inflationary pressures on our business. If actual performance does not achieve the projections, we may recognize impairment charges in future periods, and such charges could be material.

Insurance Reserves

We are responsible for workers' compensation, general, and health insurance claims up to a specified amount. We maintain a reserve for estimated claims both reported and incurred but not reported, based on historical claims experience and other assumptions. In estimating our insurance accruals, we utilize independent actuarial estimates of expected losses, which are based on statistical analyses of historical data. Our actuarial assumptions are closely monitored and adjusted when warranted by changing circumstances. Should claims occur or medical costs increase in greater amounts than we have expected, accruals may not be sufficient, and we may record additional expenses.

Accounting for Lease Obligations

We lease a substantial number of our restaurant properties. At the inception of each lease, we evaluate the property and the lease to determine whether the lease is an operating lease or a finance lease. This lease accounting evaluation may require significant judgment in determining the fair value and useful life of the leased property and the appropriate lease term. The lease term used for the evaluation includes renewal option periods only in instances in which the exercise of the renewal option can be reasonably assured because failure to exercise such an option would result in an economic penalty. Such an economic penalty would typically result from our having to abandon a building or fixture with remaining economic value upon vacating a property.

We make significant assumptions and judgments related to determination of whether a contract contains a lease and the discount rate used for the lease. In determining if any of our contracts contain a lease, we make assumptions and judgments related to our ability to direct the use of any assets stated in the contract and the likelihood of renewing any

short-term contracts for a period extending past twelve months. We also make significant assumptions and judgments in determining an appropriate discount rate for property leases. These include using a consistent discount rate for a portfolio of leases entered into at varying dates, using the full 20-year term of the lease, excluding any options, and using the total minimum lease payments. We utilize a third-party valuation firm to assist in determining the discount rate, based on the above assumptions. For all other leases, we use the discount rate implicit in the lease, or the Company's incremental borrowing rate.

Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. As of December 27, 2023, we had no federal and less than $0.1 million state net operating loss ("NOL") carryforwards. These State NOLs expire beginning 2029.

A valuation allowance is required when there is significant uncertainty as to whether certain deferred tax assets can be realized. The ability to realize deferred tax assets is dependent upon our ability to generate sufficient taxable income within the carryforward periods provided for in the tax law for each tax jurisdiction. We have considered the following possible sources of taxable income when assessing the realization of our deferred tax assets:

- future reversals of existing taxable temporary differences;
- future taxable income or loss, exclusive of reversing temporary differences and carryforwards;
- tax-planning strategies; and
- taxable income in prior carryback years.

We will continue to reevaluate the continued need for a valuation allowance. Relevant factors include:

- current financial performance;
- our ability to meet short-term and long-term financial and taxable income projections;
- the overall market environment; and
- the volatility and trends in the industry in which we operate.

All of the factors that we consider in evaluating treatment of a deferred tax asset valuation allowance involve significant judgment. For example, there are many different interpretations of "cumulative losses in recent years" that can be used. Also, significant judgment is involved in making projections of future financial and taxable income, especially because our financial results are significantly dependent upon industry trends. Any change in our valuation allowance will significantly impact our financial results in the period of that change.

When there are uncertainties related to potential income tax benefits, in order to qualify for recognition, the position we take has to have at least a "more likely than not" chance of being sustained (based on the position's technical merits) upon challenge by the responsible authorities. The term "more likely than not" means a likelihood of more than 50%. Otherwise, we may not recognize any of the potential tax benefits associated with that position. We recognize a benefit for a tax position that meets the "more likely than not" criterion as the largest amount of tax benefit that is greater than 50% likely to be realized upon its effective resolution. Unrecognized tax benefits involve our judgment regarding the likelihood of a benefit being sustained. The final resolutions of uncertain tax positions could result in adjustments to recorded amounts and affect our results of operations, financial position, and cash flows. However, we anticipate that any such adjustments would not materially impact our financial statements.

In addition, in fiscal 2014, we applied for various tax credits that resulted in $6.7 million of additional deferred tax assets and tax benefits. As of December 27, 2023, we released the corresponding valuation allowance since the ten-year carryover period for the California Enterprise Zone credit has expired at the end of fiscal 2023. In fiscal 2023, the Company did not record any additional valuation allowance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

On July 27, 2022, we refinanced the 2018 Revolver and entered into the 2022 Credit Agreement, which provides for a $150 million five-year senior secured revolving facility. In connection with the refinancing, the 2018 Credit Agreement was terminated. We are exposed to market risk from changes in interest rates on our debt, which bears interest at SOFR plus a margin between 1.25% and 2.25%. As of December 27, 2023, we had outstanding borrowings of $84.0 million under our 2022 Revolver, $9.8 million of letters of credit in support of our insurance programs, and the applicable margin on outstanding borrowings under 2022 Revolver was 1.5%. A 1.0% increase in the effective interest rate applied to our 2022 Revolver borrowings would result in a pre-tax interest expense increase of $0.8 million on an annualized basis.

During the year ended December 27, 2023, we borrowed $18.0 million net of pay downs of $21.0 million on our 2022 Revolver and the outstanding balance as of December 27, 2023 was $84.0 million. Borrowings under the 2022 Credit Agreement (other than any swingline loans) bear interest, at the borrowers' option, at rates based upon either SOFR or a base rate, plus, for each rate, a margin determined in accordance with a lease-adjusted consolidated leverage ratio-based pricing grid. If future rates based upon SOFR are higher than SOFR rates as currently determined, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows.

During the year ended December 28, 2022, in connection with our entry into the 2022 Credit Agreement, we terminated the interest rate swap previously used to hedge interest rate risk. In settlement of this swap, we received approximately $0.6 million. The remaining amount in AOCI related to the hedging relationship will be reclassified into earnings when the hedged forecasted transaction is reported in earnings.

Inflation

Inflation has an impact on food, paper, construction, utility, labor and benefits, general and administrative, and other costs, all of which can materially impact our operations. In general, we have been able to substantially offset cost increases resulting from inflation by increasing menu prices, managing menu mix, improving productivity, or making other adjustments. We may not be able to offset cost increases in the future. In addition, we have a substantial number of hourly employees who are paid wage rates at or based on the applicable federal, state, or local minimum wage, and increases in the minimum wage will increase our labor costs.

Commodity Price Risk

We are exposed to market price fluctuation in food product prices. Given the historical volatility of certain of our food product prices, including chicken, other proteins, grains, produce, dairy products, and cooking oil, these fluctuations can materially impact our food and beverage costs. While our purchasing commitments partially mitigate the risk of such fluctuations, there is no assurance that supply and demand factors such as disease or inclement weather will not cause the prices of the commodities used in our restaurant operations to fluctuate. In periods when the prices of commodities drop, we may pay higher prices under our purchasing commitments. In rapidly fluctuating commodities markets, it may prove difficult for us to adjust our menu prices in accordance with input price fluctuations. Therefore, to the extent that we do not pass along cost increases to our customers, our results of operations may be adversely affected. At this time, we do not use financial instruments to hedge our commodity risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

EL POLLO LOCO HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
El Pollo Loco Holdings, Inc.
Costa Mesa, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of El Pollo Loco Holdings, Inc. (the "Company") as of December 27, 2023 and December 28, 2022, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 27, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 27, 2023 and December 28, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 27, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 27, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 8, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of Restaurant Property and Equipment

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company reviews its long-lived assets related to restaurants held and used in the business, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The net balance of property and equipment was $84.0 million as of December 27, 2023. For certain restaurants, indicators of impairment of the related property and equipment were present. As such, for these restaurants, management compared the projected undiscounted cash flows to the carrying value to determine whether an impairment loss should be measured.

We identified the Company's estimation of undiscounted future cash flows for certain restaurants to determine the recoverability of the carrying value of restaurant property and equipment as a critical audit matter. The future cash flows requires management to develop estimates and assumptions about future revenue transaction growth rates, menu pricing changes, and restaurant operating margins, which are made more uncertain by the impact of the current inflationary pressures on the Company's business. Auditing these significant assumptions involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to addresses these matters.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of management's assumption over the future revenue transaction growth rates for select restaurants by (i) comparing them to historical information for both company-owned and franchised restaurants, and (ii) comparing them to restaurant industry data to determine if contradictory evidence existed.
- Evaluating the reasonableness of management's assumption over the menu pricing changes for select restaurants by (i) comparing them to historical information for company-owned restaurants, and (ii) comparing them to market and industry data.
- Evaluating the reasonableness of management's assumption over the restaurant operating margin for select restaurants by comparing them to market and industry data.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2011.

Costa Mesa, California
March 8, 2024

EL POLLO LOCO HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

	December 27, 2023	December 28, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 7,288	$ 20,493
Accounts and other receivables, net	10,148	10,084
Inventories	1,911	2,442
Prepaid expenses and other current assets	5,634	3,662
Income tax receivable	153	768
Total current assets	25,134	37,449
Property and equipment, net	84,027	78,644
Property and equipment held under finance lease, net	1,528	1,532
Property and equipment held under operating leases, net ("ROU asset")	168,007	165,584
Goodwill	248,674	248,674
Trademarks	61,888	61,888
Deferred tax assets	—	512
Other assets	3,043	2,935
Total assets	**$ 592,301**	**$ 597,218**
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of obligations under finance leases	$ 140	$ 110
Current portion of obligations under operating leases	19,490	19,995
Accounts payable	12,541	12,741
Accrued salaries and vacation	9,332	8,873
Accrued insurance	11,831	11,120
Accrued income taxes payable	70	—
Accrued interest	394	291
Current portion of income tax receivable agreement payable	422	263
Other accrued expenses and current liabilities	18,361	15,120
Total current liabilities	72,581	68,513
Revolver loan	84,000	66,000
Obligations under finance leases, net of current portion	1,617	1,626
Obligations under operating leases, net of current portion	168,084	165,149
Deferred taxes	8,878	8,517
Income tax receivable agreement payable, net of current portion	—	409
Other noncurrent liabilities	6,445	5,856
Total liabilities	341,605	316,070
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, $0.01 par value, 100,000,000 shares authorized; 100,000 shares designated as Series A Preferred Stock; none issued or outstanding	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized; 31,353,223 and 37,008,061 shares issued and outstanding as of December 27, 2023 and December 28, 2022, respectively	313	370
Additional paid-in-capital	236,421	292,244
Retained earnings (accumulated deficit)	13,962	(11,592)
Accumulated other comprehensive income	—	126
Total stockholders' equity	250,696	281,148
Total liabilities and stockholders' equity	**$ 592,301**	**$ 597,218**

See notes to consolidated financial statements.

EL POLLO LOCO HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except share data)

	For the Fiscal Years Ended		
	December 27, 2023	December 28, 2022	December 29, 2021
Revenue			
Company-operated restaurant revenue	$ 398,437	$ 403,218	$ 394,733
Franchise revenue	41,002	38,225	33,729
Franchise advertising fee revenue	29,225	28,516	25,901
Total revenue	468,664	469,959	454,363
Cost of operations			
Food and paper cost	108,250	117,774	104,394
Labor and related expenses	127,244	130,773	120,308
Occupancy and other operating expenses	101,398	101,543	97,557
Gain on recovery of insurance proceeds, lost profits, net	(327)	—	—
Company restaurant expenses	336,565	350,090	322,259
General and administrative expenses	42,025	39,093	39,852
Franchise expenses	38,404	36,169	32,831
Depreciation and amortization	15,235	14,418	15,176
Loss on disposal of assets	192	165	289
Gain on recovery of insurance proceeds, property, equipment and expenses	(247)	—	—
(Gain) loss on disposition of restaurants	(5,034)	(848)	1,534
Impairment and closed-store reserves	1,732	752	1,087
Total expenses	428,872	439,839	413,028
Income from operations	39,792	30,120	41,335
Interest expense, net	4,811	1,677	1,824
Income tax receivable agreement expense (income)	103	(436)	58
Income before provision for income taxes	34,878	28,879	39,453
Provision for income taxes	9,324	8,078	10,332
Net income	$ 25,554	$ 20,801	$ 29,121
Net income per share			
Basic	$ 0.75	$ 0.57	$ 0.81
Diluted	$ 0.74	$ 0.57	$ 0.80
Weighted-average shares used in computing net income per share			
Basic	34,253,542	36,350,579	35,973,892
Diluted	34,374,706	36,575,904	36,446,756

See notes to consolidated financial statements.

EL POLLO LOCO HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	For the Fiscal Years Ended		
	December 27, 2023	December 28, 2022	December 29, 2021
Net income	$ 25,554	$ 20,801	$ 29,121
Other comprehensive (loss) income			
Changes in derivative instruments			
Unrealized net gains arising during the period from interest rate swap	—	862	257
Reclassifications of (losses) gains into net income	(170)	(296)	486
Income tax benefit (expense)	44	(150)	(200)
Other comprehensive (loss) income, net of taxes	(126)	416	543
Comprehensive income	$ 25,428	$ 21,217	$ 29,664

See notes to consolidated financial statements.

EL POLLO LOCO HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in thousands, except share data)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance, December 30, 2020	36,423,505	$ 364	$ 339,561	$ (61,514)	$ (833)	$ 277,578
Stock-based compensation	—	—	3,220	—	—	3,220
Issuance of common stock related to restricted shares, net	246,780	2	(2)	—	—	—
Issuance of common stock upon exercise of stock options, net	132,760	1	865	—	—	866
Shares repurchased for employee tax withholdings	(40,384)	—	(705)	—	—	(705)
Forfeiture of common stock related to restricted shares	(161,013)	(2)	2	—	—	—
Other comprehensive loss, net of income tax	—	—	—	—	543	543
Net income	—	—	—	29,121	—	29,121
Balance, December 29, 2021	36,601,648	365	342,941	(32,393)	(290)	310,623
Stock-based compensation	—	—	3,491	—	—	3,491
Issuance of common stock related to restricted shares, net	356,610	4	(4)	—	—	—
Issuance of common stock upon exercise of stock options, net	185,798	2	1,711	—	—	1,713
Shares repurchased for employee tax withholdings	(30,128)	—	(322)	—	—	(322)
Forfeiture of common stock related to restricted shares	(105,867)	(1)	1	—	—	—
Other comprehensive income, net of income tax	—	—	—	—	416	416
Common stock cash dividends ($1.50 per share)	—	—	(55,574)	—	—	(55,574)
Net income	—	—	—	20,801	—	20,801
Balance, December 28, 2022	37,008,061	370	292,244	(11,592)	126	281,148
Stock-based compensation	—	—	2,964	—	—	2,964
Issuance of common stock related to restricted shares, net	454,081	5	(5)	—	—	—
Issuance of common stock upon exercise of stock options, net	219,960	2	1,169	—	—	1,171
Shares repurchased for employee tax withholdings	(26,344)	—	(243)	—	—	(243)
Repurchase of common stock	(6,030,850)	(61)	(59,155)	—	—	(59,216)
Repurchase of common stock - excise tax	—	—	(556)	—	—	(556)
Forfeiture of common stock related to restricted shares	(271,685)	(3)	3	—	—	—
Other comprehensive income, net of income tax	—	—	—	—	(126)	(126)
Net income	—	—	—	25,554	—	25,554
Balance, December 27, 2023	31,353,223	$ 313	$ 236,421	$ 13,962	$ -	$ 250,696

See notes to consolidated financial statements.

EL POLLO LOCO HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For the Fiscal Years Ended		
	December 27, 2023	**December 28, 2022**	**December 29, 2021**
Cash flows from operating activities:			
Net income	$ 25,554	$ 20,801	$ 29,121
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	15,235	14,418	15,176
Stock-based compensation expense	2,964	3,491	3,220
Income tax receivable agreement (income) expense	103	(436)	58
Fire insurance proceeds for expenses paid and lost profit	327	—	—
(Gain) loss on disposition of restaurants	(5,034)	(848)	1,534
Loss on disposal of assets	192	165	289
Gain on recovery of insurance proceeds, property, equipment and expenses, net	(247)	—	—
Impairment of property and equipment	1,536	481	711
Amortization of deferred financing costs	201	340	251
Deferred income taxes, net	906	4,600	957
Changes in operating assets and liabilities:			
Accounts and other receivables	(216)	3,323	(3,444)
Inventories	531	(125)	(218)
Prepaid expenses and other current assets	(1,972)	71	133
Income taxes (receivable) payable	838	(1,657)	3,410
Other assets	(309)	(240)	(1,052)
Accounts payable	(3,965)	3,977	2,533
Accrued salaries and vacation	459	(2,667)	1,373
Accrued insurance	711	(73)	777
Payment related to tax receivable agreement	(350)	(430)	(1,658)
Other accrued expenses and liabilities	3,224	(6,642)	(1,072)
Net cash flows provided by operating activities	**40,688**	**38,549**	**52,099**
Cash flows from investing activities:			
Proceeds from disposition of restaurants	7,722	1,002	4,556
Proceeds from fire insurance for property and equipment	163	—	—
Purchase of property and equipment	(21,332)	(19,917)	(17,041)
Net cash flows used in investing activities	**(13,447)**	**(18,915)**	**(12,485)**
Cash flows from financing activities:			
Proceeds from borrowings on revolver and swingline loans	39,000	46,000	—
Payments on revolver and swingline loan	(21,000)	(20,000)	(22,800)
Minimum tax withholdings related to net share settlements	(243)	(322)	(705)
Common stock dividends paid	—	(55,574)	—
Proceeds from issuance of common stock upon exercise of stock options, net of expenses	1,171	1,713	866
Payment of obligations under finance leases	(158)	(162)	(148)
Deferred financing costs for revolver loan	—	(842)	—
Repurchases of common stock	(59,216)	—	—
Net cash flows used in by financing activities	**(40,446)**	**(29,187)**	**(22,787)**
(Decrease) increase in cash and cash equivalents	**(13,205)**	**(9,553)**	**16,827**
Cash and cash equivalents, beginning of period	**20,493**	**30,046**	**13,219**
Cash and cash equivalents, end of period	**$ 7,288**	**$ 20,493**	**$ 30,046**

	For the Fiscal Years Ended		
	December 27, 2023	**December 28, 2022**	**December 29, 2021**
Supplemental cash flow information			
Cash paid during the period for interest	$ 4,819	$ 1,450	$ 1,066
Cash paid during the period for income taxes	$ 7,721	$ 5,100	$ 5,968
Unpaid purchases of property and equipment	$ 5,098	$ 1,333	$ 2,454
Unpaid repurchases of common stock	$ —	$ —	$ —

See notes to consolidated financial statements.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

El Pollo Loco Holdings, Inc. ("Holdings") is a Delaware corporation headquartered in Costa Mesa, California. Holdings and its direct and indirect subsidiaries are collectively referred to herein as the "Company." The Company's activities are conducted principally through its indirect wholly-owned subsidiary, El Pollo Loco, Inc. ("EPL"), which develops, franchises, licenses and operates quick-service restaurants under the name El Pollo Loco ®. The restaurants, which are located principally in California but also in Arizona, Nevada, Texas, Colorado, Utah and Louisiana, specialize in fire-grilling citrus-marinated chicken in a wide variety of contemporary Mexican and LA-inspired entrees, including specialty chicken burritos, chicken quesadillas, chicken tostada salads, chicken tortilla soup, variations on the Company's Pollo Bowl®, Pollo Salads and Pollo Fit entrees. At December 27, 2023, the Company operated 172 (138 in the greater Los Angeles area) and franchised 323 (141 in the greater Los Angeles area) El Pollo Loco restaurants. In addition, the Company currently licenses five restaurants in the Philippines.

Holdings has no material assets or operations. Holdings and Holdings' direct subsidiary, EPL Intermediate, Inc. ("Intermediate"), guarantee EPL's 2022 Revolver (see Note 6 "Long-Term Debt") on a full and unconditional basis and Intermediate has no subsidiaries other than EPL. EPL is a separate and distinct legal entity, and has no obligation to make funds available to Intermediate. EPL and Intermediate may pay dividends to Intermediate and to Holdings, respectively.

The Company operates in one operating segment. All significant revenues relate to retail sales of food and beverages through either company or franchised restaurants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Liquidity

The Company's principal liquidity and capital requirements are new restaurants, existing restaurant capital investments (remodel and maintenance), interest payments on its debt, lease obligations and working capital and general corporate needs. At December 27, 2023, the Company's total debt was $84.0 million. The Company's ability to make payments on its indebtedness and to fund planned capital expenditures depends on available cash and its ability to generate adequate cash flows in the future, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control. Based on current operations, the Company believes that its cash flows from operations, available cash of $7.3 million at December 27, 2023, and available borrowings under the 2022 Revolver (as defined in Note 6 "Long-Term Debt") will be adequate to meet the Company's liquidity needs for the next twelve months from the issuance of the consolidated financial statements.

Basis of Presentation

The Company uses a 52- or 53-week fiscal year ending on the last Wednesday of each calendar year. Fiscal 2023, 2022, and 2021 ended on December 27, 2023, December 28, 2022 and December 29, 2021, respectively. In a 52-week fiscal year, each quarter includes 13 weeks of operations. In a 53-week fiscal year, the first, second and third quarters each include 13 weeks of operations and the fourth quarter includes 14 weeks of operations. Approximately every six or seven years a 53-week fiscal year occurs. Fiscal 2023, 2022 and 2021 were 52-week fiscal years. 53-week years may cause revenues, expenses, and other results of operations to be higher due to the additional week of operations.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Holdings and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and revenue and expenses during the period reported. Actual results could materially differ from those estimates. The Company's significant estimates include estimates for impairment of goodwill, intangible assets and property and equipment, insurance reserves, lease accounting matters, contingent liabilities and income tax valuation allowances.

M**arket Trends and Uncertainties**

On September 28, 2023, Governor Newsom signed AB 1228 into law, which repealed and replaced the Fast Food Accountability and Standards Recovery Act ("FAST Act") on January 1, 2024. Pursuant to AB 1228, the minimum wage at fast food restaurants that are part of brands which have more than 60 establishments nationwide will rise to $20 an hour on April 1, 2024, and a Fast Food Council created by AB 1228 will have limited power to approve annual wage increases until 2029. Under the law, the Fast Food Council will also have the power to develop and propose minimum standards for fast food workers, including standards for working hours, working conditions, and health and safety. As a result of AB 1228, the Company expects its labor and regulatory compliance costs will increase beginning in fiscal 2024 and that its results of operations and profitability will be adversely affected if it is not able to implement other measures to counter these increased costs.

The Company has experienced inflationary pressures affecting its operations in certain areas such as food cost, labor costs, construction costs and other restaurant operating costs. The Company has been able to substantially offset these inflationary and other cost pressures through various actions, such as increasing menu prices, managing menu mix, and productivity improvements. However, the Company expects these inflationary and other cost pressures to continue throughout fiscal year 2024 and it may not be able to offset cost increases in the future.

Cash and Cash Equivalents

The Company considers all liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

Subsequent Events

Subsequent to year-end, on February 13, 2024, the Company announced that its Board of Directors has appointed Elizabeth Williams as the new Chief Executive Officer of the Company and as a member of the Board, effective March 11, 2024. Ms. Williams will succeed Maria Hollandsworth, who has served as the Company's interim Chief Executive Officer since November 3, 2023.

Further, the Company paid down $3.0 million on its 2022 Revolver resulting in outstanding borrowings as of March 7, 2024 of $81.0 million.

Concentration of Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally-insured limits. The Company has never experienced any losses related to these balances.

The Company had one supplier for which amounts due at December 27, 2023 totaled 15.14% of the Company's accounts payable. As of December 28, 2022, the Company had one supplier for which the amount due totaled 41.7% of the Company's accounts payable. Purchases from the Company's largest supplier totaled 26.6% of the Company's purchases for fiscal 2023, 28.5% for fiscal 2022 and 27.1% for fiscal 2021 with no amounts payable at December 27, 2023 or December 28, 2022.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In fiscal 2023, 2022 and 2021, Company-operated and franchised restaurants in the greater Los Angeles area generated, in the aggregate, approximately 71.3%, 71.2%, and 70.9%, respectively, of total revenue. One franchisee accounted for 11.4% of total accounts receivable as of December 27, 2023, and one franchisee accounted for 12.9% of total accounts receivable as of December 28, 2022.

Management believes the loss of the significant supplier or franchisee could have a material adverse effect on the Company's consolidated results of operations and financial condition.

Accounts and Other Receivables, Net

Accounts and other receivables consist primarily of royalties, advertising and sublease rent and related amounts receivable from franchisees. Such receivables are due on a monthly basis, which may differ from the Company's fiscal month-end dates. Accounts and other receivables also include credit/debit card receivables. The need for an allowance for doubtful accounts is reviewed on a specific identification basis and takes into consideration past due balances and the financial strength of the obligor.

Inventories

Inventories consist principally of food, beverages and supplies and are valued at the lower of average cost or net realizable value.

Property and Equipment, Net

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for reimbursements and improvements that significantly add to the productivity capacity or extend the useful life are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Leasehold improvements and property held under finance leases are amortized over the shorter of their estimated useful lives or the remaining lease terms. For leases with renewal periods at the Company's option, the Company generally uses the original lease term, excluding the option periods, to determine estimated useful lives; if failure to exercise a renewal option imposes an economic penalty on the Company, such that management determines at the inception of the lease that renewal is reasonably assured, the Company may include the renewal option period in the determination of appropriate estimated useful lives.

The estimated useful service lives are as follows:

Buildings	20 years
Land improvements	3—30 years
Building improvements	3—10 years
Restaurant equipment	3—10 years
Other equipment	2—10 years
Property/equipment held under finance leases	Shorter of useful life or lease term
Leasehold improvements	Shorter of useful life or lease term

The Company capitalizes certain directly attributable internal costs in conjunction with the acquisition, development and construction of future restaurants. The Company also capitalizes certain directly attributable costs, including interest, in conjunction with constructing new restaurants. These costs are included in property and amortized over the shorter of the life of the related buildings and leasehold improvements or the lease term. Costs related to abandoned sites and other site selection costs that cannot be identified with specific restaurants are charged to general and administrative expenses in the accompanying consolidated statements of income, and were $0.2 million for the year ended December 27, 2023 and less than $0.1 million for each of the years ended December 28, 2022 and December 29, 2021. The Company capitalized internal costs related to site selection and construction activities of $1.8 million, $1.5 million and $1.4 million for the years ended December 27, 2023, December 28, 2022 and December 29, 2021, respectively.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Impairment of Property and Equipment and ROU Assets

The Company reviews its property and equipment and right-of-use assets ("ROU assets") for impairment on a restaurant-by-restaurant basis whenever events or changes in circumstances indicate that the carrying value of certain property and equipment and ROU assets may not be recoverable. The Company considers a triggering event, related to property and equipment assets or ROU assets in a net asset position, to have occurred related to a specific restaurant if the restaurant's Average Unit Volume ("AUV") for the last twelve months are less than a minimum threshold or if consistent levels of undiscounted cash flows for the remaining lease period are less than the carrying value of the restaurant's assets. Additionally, the Company considers a triggering event, related to ROU assets, to have occurred related to a specific lease if the location has been closed or subleased and future estimated sublease income is less than current lease payments. As of December 27, 2023 and December 28, 2022, ROU assets related to closed or subleased restaurant locations totaled $42.8 million and $30.7 million, respectively. If the Company concludes that the carrying value of certain property and equipment and ROU assets will not be recovered based on expected undiscounted future cash flows, an impairment loss is recorded to reduce the property and equipment or ROU assets to their estimated fair value. The fair value is measured on a nonrecurring basis using unobservable (Level 3) inputs. There is uncertainty in the projected undiscounted future cash flows used in the Company's impairment review analysis, which requires the use of estimates and assumptions. If actual performance does not achieve the projections, or if the assumptions used change in the future, the Company may be required to recognize impairment charges in future periods, and such charges could be material. The Company determined that triggering events occurred for certain stores during the year ended December 27, 2023 that required an impairment review of the Company's property and equipment and ROU assets. Based on the results of this analysis, the Company recorded non-cash impairment charges of $1.5 million for the year ended December 27, 2023, primarily related to the carrying value of the ROU assets of one restaurant in California and the property and equipment assets of one restaurant in Nevada.

In fiscal 2022, the Company recorded non-cash impairment charges of $0.5 million primarily related to the carrying value of the ROU assets of one restaurant in California that closed in 2021 and the property and equipment assets of two restaurants in California. In fiscal 2021, the Company recorded a non-cash impairment charge of $0.7 million primarily related to the carrying value of the ROU assets of one restaurant in Texas that closed in 2019, the carrying value of one restaurant in California that closed in 2021 and the property and equipment assets of three restaurants in California. Given the inherent uncertainty in projecting results for newer restaurants in newer markets, the Company is monitoring the recoverability of the carrying value of the assets of several restaurants on an ongoing basis. For these restaurants, if expected performance is not realized, an impairment charge may be recognized in future periods, and such charge could be material.

Closed-Store Reserves

When a restaurant is closed, the Company will evaluate the ROU asset for impairment, based on anticipated sublease recoveries. The remaining value of the ROU asset is amortized on a straight-line basis, with the expense recognized in closed-store reserve expense. Additionally, any property tax and common area maintenance ("CAM") payments relating to closed restaurants are included within closed-store expense.

During fiscal 2023, 2022 and 2021, the Company recognized $0.2 million, $0.3 million and $0.4 million, respectively, of closed-store reserve expense related to the amortization of ROU assets, property taxes and CAM payments for its closed locations.

Goodwill and Indefinite-Lived Intangible Assets

The Company's indefinite-lived intangible assets consist of trademarks. Goodwill represents the excess of cost over fair value of net identified assets acquired in business combinations accounted for under the purchase method. The Company does not amortize its goodwill and indefinite-lived intangible assets. Goodwill resulted from the acquisition of certain franchise locations.

Upon the sale or refranchising of a restaurant, the Company evaluates whether there is a decrement of goodwill. The amount of goodwill included in the cost basis of the asset sold is determined based on the relative fair value of the portion of the reporting unit disposed of compared to the fair value of the reporting unit retained. The fair value of the

portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay the Company associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. The Company did not record any decrement to goodwill related to the disposition of restaurants in fiscal 2023, 2022 and 2021.

The Company performs annual impairment tests for goodwill during the fourth fiscal quarter of each year, or more frequently if impairment indicators arise.

The Company reviews goodwill for impairment utilizing either a qualitative assessment or a fair value test by comparing the fair value of a reporting unit with its carrying amount. If the Company decides that it is appropriate to perform a qualitative assessment and concludes that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation is necessary. If the Company performs the fair value test, the Company will compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, the Company will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit.

The Company performs annual impairment tests for indefinite-lived intangible assets during the fourth fiscal quarter of each year, or more frequently if impairment indicators arise. An impairment test consists of either a qualitative assessment or a comparison of the fair value of an intangible asset with its carrying amount. The excess of the carrying amount of an intangible asset over its fair value is its impairment loss.

The assumptions used in the estimate of fair value are generally consistent with the past performance of the Company's reporting segment and are also consistent with the projections and assumptions that are used in current operating plans. These assumptions are subject to change as a result of changing economic and competitive conditions.

The Company determined that there were no indicators of potential impairment of its goodwill and indefinite-lived intangible assets during fiscal 2023. Accordingly, the Company did not record any impairment to its goodwill or indefinite-lived intangible assets during the year ended December 27, 2023.

Deferred Financing Costs

Deferred financing costs are capitalized and amortized over the period of the loan on a straight-line basis. Included in other assets are deferred financing costs (net of accumulated amortization), related to the revolver, of $0.7 million and $0.9 million as of December 27, 2023 and December 28, 2022, respectively. Amortization expense for deferred financing costs was approximately $0.2 million for the year ended December 27, 2023 and $0.3 million for both of the years ended December 28, 2022, and December 29, 2021, and is reflected as a component of interest expense in the accompanying consolidated statements of income.

Insurance Reserves

The Company is responsible for workers' compensation, general and health insurance claims up to a specified aggregate stop loss amount. The Company maintains a reserve for estimated claims both reported and incurred but not reported, based on historical claims experience and other assumptions. At December 27, 2023 and December 28, 2022, the Company had accrued $11.8 million and $11.1 million, respectively, and such amounts are reflected as accrued insurance in the accompanying consolidated balance sheets. The expense for such reserves for the years ended December 27, 2023, December 28, 2022 and December 29, 2021, totaled $9.2 million, $8.7 million, and $9.0 million, respectively. These amounts are included in labor and related expenses and general and administrative expenses on the accompanying consolidated statements of income.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restaurant Revenue

Revenues from the operation of company-operated restaurants are recognized as food and beverage products are delivered to customers and payment is tendered at the time of sale. The Company presents sales net of sales-related taxes and promotional allowances. Promotional allowances amounted to approximately $8.7 million, $7.5 million and $7.7 million during the years ended December 27, 2023, December 28, 2022, and December 29, 2021, respectively.

The Company offers a loyalty rewards program, which awards a customer points for dollars spent. Customers earn points for each dollar spent and points can be redeemed for multiple redemption options. If a customer does not earn or use points within a one-year period, their account is deactivated and all points expire. When a customer is part of the rewards program, the obligation to provide future discounts related to points earned is considered a separate performance obligation, to which a portion of the transaction price is allocated. The performance obligation related to loyalty points is deemed to have been satisfied, and the amount deferred in the balance sheet is recognized as revenue, when the points are transferred to a reward and redeemed, the reward or points have expired, or the likelihood of redemption is remote. A portion of the transaction price is allocated to loyalty points, if necessary, on a pro-rata basis, based on stand-alone selling price, as determined by menu pricing and loyalty points terms. As of December 27, 2023 and December 28, 2022, the revenue allocated to loyalty points that have not been redeemed was $0.7 million and $0.5 million, respectively, which is reflected in the Company's accompanying consolidated balance sheets within other accrued expenses and current liabilities. The Company expects the loyalty points to be redeemed and recognized over a one-year period.

The Company sells gift cards to its customers in the restaurants and through selected third parties. The gift cards sold to customers have no stated expiration dates and are subject to actual and/or potential escheatment rights in several of the jurisdictions in which the Company operates. Furthermore, due to these escheatment rights, the Company does not recognize breakage related to the sale of gift cards due to the immateriality of the amount remaining after escheatment. The Company recognizes income from gift cards when redeemed by the customer. Unredeemed gift card balances are deferred and recorded as other accrued expenses on the accompanying consolidated balance sheets.

Franchise Revenue

Franchise revenue consists of franchise royalties, initial franchise fees, license fees due from franchisees and IT support services. Rental income for subleases to franchisees are outside of the scope of the revenue standard and are within the scope of lease guidance. Under Topic 842, sublease income is recorded on a net basis within the consolidated statements of income. Franchise royalties are based upon a percentage of net sales of the franchisee and are recorded as income as such sales are earned by the franchisees.

For franchise and development agreement fees, the initial franchise services, or exclusivity of the development agreements, are not distinct from the continuing rights or services offered during the term of the franchise agreement and are, therefore, treated as a single performance obligation. As such, initial franchise and development fees received, and subsequent renewal fees, are recognized over the franchise or renewal term, which is typically twenty years. As of December 27, 2023, the Company had executed development agreements that represent commitments to open 107 franchised restaurants at various dates through 2036.

This revenue stream is made up of the following performance obligations:

- Franchise License – inclusive of advertising services, development agreements, training, access to plans and help desk services;
- Discounted renewal option; and
- Hardware services.

The Company satisfies the performance obligation related to the franchise license over the term of the franchise agreement, which is typically 20 years. Payment for the franchise license consists of three components, a fixed-fee

related to the franchise/development agreement, a sales-based royalty fee and a sales-based advertising fee. The fixed fee, as determined by the signed development and/or franchise agreement, is due at the time the development agreement is entered into, and/or when the franchise agreement is signed, and does not include a finance component.

The sales-based royalty fee and sales-based advertising fee are considered variable consideration and are recognized as revenue as such sales are earned by the franchisees. Both sales-based fees qualify under the royalty constraint exception, and do not require an estimate of future transaction price. Additionally, the Company is utilizing the practical expedient available under ASC Topic 606, "Revenue from Contracts with Customers" ("Topic 606") regarding disclosure of the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied for sales-based royalties.

In certain franchise agreements, the Company offers a discounted renewal to incentivize future renewals after the end of the initial franchise term. As this is considered a separate performance obligation, the Company allocated a portion of the initial franchise fee to this discounted renewal, on a pro-rata basis, assuming a 20 year renewal. This performance obligation is satisfied over the renewal term, which is typically 10 or 20 years, while payment is fixed and due at the time the renewal is signed.

The Company purchases hardware, such as scanners, printers, cash registers and tablets, from third-party vendors, which it then sells to franchisees. As the Company is considered the principal in this relationship, payment received for the hardware is considered revenue, and is received upon transfer of the goods from the Company to the franchisee. As of December 27, 2023, there were no performance obligations, related to hardware services that were unsatisfied or partially satisfied.

Franchise Advertising Fee Revenue

The Company presents advertising contributions received from franchisees as franchise advertising fee revenue and records all expenses of the advertising fund within franchise expenses.

Advertising Costs

Advertising expense is recorded as the obligation to contribute to the advertising fund and is accrued, generally when the associated revenue is recognized. Advertising expense, which is a component of occupancy and other operating expenses, was $16.2 million, $16.4 million and $16.1 million for the years ended December 27, 2023, December 28, 2022 and December 29, 2021, respectively. In addition, there was $29.2 million, $28.5 million and $25.9 million for the years ended December 27, 2023, December 28, 2022 and December 29, 2021, respectively, funded by the franchisees' advertising fees.

Franchisees pay a monthly fee to the Company that ranges from 4% to 5% of their restaurants' net sales as reimbursement for advertising, public relations and promotional services the Company provides, which is included within franchise advertising fee revenue. Fees received in advance of provided services are included in other accrued expenses and current liabilities and were $3.0 million and $0.8 million at December 27, 2023 and December 28, 2022, respectively. Company-operated restaurants contribute to the advertising fund on the same basis as franchised restaurants. At December 27, 2023, the Company was obligated to spend $3.0 million more in future periods to comply with this requirement.

Production costs of commercials, programming and other marketing activities are charged to the advertising funds when the advertising is first used for its intended purpose. Total contributions and other marketing expenses are included in general and administrative expenses in the accompanying consolidated statements of income.

Preopening Costs

Preopening costs incurred in connection with the opening of new restaurants are expensed as incurred. For each of the years ended December 27, 2023, December 28, 2022, and December 29, 2021, preopening costs, which are included in general and administrative expenses on the accompanying consolidated statements of income were $0.3 million.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases

The Company's operations utilize property, facilities, equipment and vehicles. Buildings and facilities leased from others are primarily for restaurants and support facilities. Restaurants are operated under lease arrangements that generally provide for a fixed base rent and, in some instances, contingent rent based on a percentage of gross operating profit or net revenues more than a defined amount. Initial terms of land and restaurant building leases generally have terms of 20 years, exclusive of options to renew. ROU assets and operating and finance lease liabilities are recognized at the lease commencement date, which is the date the Company takes possession of the property. Operating and finance lease liabilities represent the present value of lease payments not yet paid. ROU assets represent the Company's right to use an underlying asset and are based upon the operating and finance lease liabilities adjusted for prepayments or accrued lease payments, lease incentives, and impairment of ROU assets. To determine the present value of lease payments not yet paid, the Company estimates incremental borrowing rates corresponding to the lease term including reasonably certain renewal periods.

The Company's leases generally have escalating rents over the term of the lease, and are recorded on a straight-line basis over the expected lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce the right-of-use asset related to the lease. These are amortized through the operating lease asset as reductions of expense over the lease term.

Operating and finance lease liabilities that are based on an index or rate are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases of equipment primarily consist of restaurant equipment, computer systems and vehicles. The Company subleases facilities to certain franchisees and other non-related parties which are recorded on a straight-line basis.

Gain on Recovery of Insurance Proceeds, Lost Profits

During fiscal 2023 and fiscal 2022, two of the Company's restaurants incurred damage resulting from a fire. In fiscal 2023, the Company incurred costs directly related to the fire of less than $0.1 million. The Company recognized gains of $0.2 million, related to the reimbursement of property and equipment and expenses incurred and $0.3 million related to the reimbursement of lost profits. The gain on recovery of insurance proceeds and reimbursement of lost profits, net of the related costs, is included in the accompanying consolidated statements of income, for the year ended December 27, 2023, as a reduction of Company restaurant expenses. The Company received from the insurance company cash of $0.5 million, net of the insurance deductible, during fiscal 2023.

Gain (Loss) on Disposition of Restaurants

During fiscal 2023, the Company completed the sale of 18 restaurants within California, Utah and Texas to existing franchisees. During fiscal 2022, the Company completed the sale of three company-operated restaurants within the Orange County area to an existing franchisee. During fiscal 2021, the Company completed the sale of eight restaurants within the Sacramento area to an existing franchisee. The Company has determined that these restaurant dispositions represent multiple element arrangements, and as a result, the cash consideration received was allocated to the separate elements based on their relative standalone selling price. Cash proceeds included upfront consideration for the sale of the restaurants and franchise fees, as well as future cash consideration for royalties. The cash consideration per restaurant related to franchise fees is consistent with the amounts stated in the related franchise agreements, which are charged for separate standalone arrangements. The Company initially defers and subsequently recognizes the franchise fees over the term of the franchise agreement. Future royalty income is also recognized in revenue as earned. During 2023, these sales resulted in cash proceeds of $7.7 million and a net gain on sale of restaurant of $5.0 million. The Orange County sale during 2022 resulted in cash proceeds of $1.0 million and a net gain on sale of restaurants of $0.8 million for the year ended December 28, 2022. The Sacramento sale resulted in cash proceeds of $4.6 million and a net loss on sale of restaurants of $1.5 million for the year ended December 29, 2021. Since the date of their sale, these restaurants are now included in the total number of franchised El Pollo Loco restaurants.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Derivative Financial Instruments

The Company used an interest rate swap, a derivative instrument, to hedge interest rate risk and not for trading purposes. The derivative contract was entered into with a financial institution. In connection with the Company's entry into the 2022 Credit Agreement (as defined in Note 6 "Long-Term Debt"), it terminated the interest rate swap on July 28, 2022. The Company recorded the derivative instrument on its consolidated balance sheets at fair value. The derivative instrument qualified as a hedging instrument in a qualifying cash flow hedge relationship, and the gain or loss on the derivative instrument was reported as a component of accumulated other comprehensive (loss) income ("AOCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For any derivative instruments not designated as hedging instruments, the gain or loss will be recognized in earnings immediately.

Income Taxes

The provision for income taxes, income taxes payable and deferred income taxes is determined using the asset and liability method. Deferred tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. On a periodic basis, the Company assesses the probability that its net deferred tax assets, if any, will be recovered. If, after evaluating all of the positive and negative evidence, a conclusion is made that it is more likely than not that some portion or all of the net deferred tax assets will not be recovered, a valuation allowance is provided by charging to tax expense a reserve for the portion of deferred tax assets which are not expected to be realized.

The Company reviews its filing positions for all open tax years in all U.S. federal and state jurisdictions where it is required to file.

When there are uncertainties related to potential income tax benefits, in order to qualify for recognition, the position the Company takes has to have at least a "more likely than not" chance of being sustained (based on the position's technical merits) upon challenge by the respective authorities. The term "more likely than not" means a likelihood of more than 50%. Otherwise, the Company may not recognize any of the potential tax benefit associated with the position. The Company recognizes a benefit for a tax position that meets the "more likely than not" criterion as the largest amount of tax benefit that is greater than 50% likely of being realized upon its effective resolution. Unrecognized tax benefits involve management's judgment regarding the likelihood of the benefit being sustained. The final resolution of uncertain tax positions could result in adjustments to recorded amounts and may affect the Company's results of operations, financial position and cash flows.

The Company's policy is to recognize interest or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties at December 27, 2023 or December 28, 2022. During fiscal 2023, fiscal 2022 and fiscal 2021, there were no material unrecognized tax benefits. Management believes no significant change to the amount of unrecognized tax benefits will occur within the next twelve months.

On July 30, 2014, the Company entered into the TRA, which calls for the Company to pay to its pre-IPO stockholders 85% of the savings in cash that the Company realizes in its income taxes as a result of utilizing its net operating losses ("NOLs") and other tax attributes attributable to preceding periods. As of December 27, 2023 and December 28, 2022, the Company had accrued $0.4 million and $0.7 million, respectively, relating to expected TRA payments. In fiscal 2023, 2022 and 2021, the Company paid $0.3 million, $0.4 million and $1.7 million, respectively, to its pre-IPO stockholders under the TRA.

Under the CARES Act, the Company was able to defer its employer Social Security taxes that are otherwise owed for wage payment and the creation of refundable employee retention credits. The total amount deferred as of December 30, 2020 was $4.9 million, of which 50% was due by December 31, 2021 and another 50% was due by December 31, 2022. As of December 28, 2022, the Company made all deferred payroll tax payments and did not have any corresponding balances included in other non-current liabilities on the Company's consolidated balance sheet.

Additionally, the Company assessed its eligibility for the business relief provision under the CARES Act known as the Employee Retention Credit ("ERC"), a refundable payroll tax credit for 50% of qualified wages paid during 2020. The American Rescue Plan passed into law on March 11, 2021 extended the ERC through September 30, 2021, and the credit was increased to 70% of qualified wages paid from January 1, 2021 through September 30, 2021. During fiscal 2021, the Company recognized the ERC credit in the amount of $3.4 million as income as it is probable that it will comply with the ERC eligibility requirements. The Company has elected an accounting policy to present government assistance as a reduction of the related expense. The ERC credit was initially recorded as a receivable as part of the accounts and other receivable on the consolidated balance sheet for the year ended December 29, 2021 and as an offset to the corresponding payroll expense which is classified as part of the labor and other operating expenses on the consolidated statements of income for the year ended December 29, 2021. During fiscal 2022, the Company received $3.1 million in ERC and the remaining $0.3 million was received and recorded during fiscal 2023.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Observable prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.
- Level 3: Unobservable inputs used when little or no market data is available.

Certain assets and liabilities are measured at fair value on a nonrecurring basis. In other words, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment).

The following non-financial assets were measured at fair value, on a nonrecurring basis, as of and for the year ended December 27, 2023 reflecting certain property and equipment and ROU assets, for which an impairment loss was recognized during the corresponding periods, as discussed above under Impairment of Property and Equipment and ROU Assets (in thousands):

	Total	Level 1	Level 2	Level 3	Impairment Losses
Certain property and equipment, net	$ —	$ —	$ —	$ —	$ 1,497
Certain ROU assets, net	$ 244	$ —	$ —	$ 244	$ 39

The following non-financial assets were measured at fair value, on a nonrecurring basis, as of and for the year ended December 28, 2022 reflecting certain property and equipment and ROU assets for which an impairment loss was recognized during the corresponding periods, as discussed above under "Impairment of Property and Equipment and ROU Assets" (in thousands):

	Total	Level 1	Level 2	Level 3	Impairment Losses
Certain property and equipment, net	$ —	$ —	$ —	$ —	$ 442
Certain ROU assets, net	$ 327	$ —	$ —	$ 327	$ 39

The following non-financial assets were measured at fair value, on a nonrecurring basis, as of and for the year ended December 29, 2021 for which an impairment loss was recognized during the corresponding periods, as discussed above under "Impairment of Property and Equipment and ROU Assets" (in thousands):

	Total	Level 1	Level 2	Level 3	Impairment Losses
Certain property and equipment, net	$ —	$ —	$ —	$ —	$ 304
Certain ROU assets, net	$ 411	$ —	$ —	$ 411	$ 407

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and certain accrued expenses approximate fair value due to their short-term maturities. The recorded value of the TRA approximates fair value, based on borrowing rates currently available to the Company for debts with similar terms and remaining maturities (Level 3 measurement).

Stock-Based Compensation

Stock-based compensation expense is recognized using a fair-value based method for costs related to all share-based payments including stock options and restricted stock issued under the Company's employee stock plans. The fair value of stock option awards is estimated on the date of grant using an option pricing model, which require the input of subjective assumptions. The Company is required to use judgment in estimating the amount of stock-based awards that are expected to be forfeited. If actual forfeitures differ significantly from the original estimate, stock-based compensation expense and the results of operations could be affected. The cost is recognized on a straight-line basis over the period during which an employee is required to provide service, usually the vesting period. For options or restricted shares that are based on a performance requirement, the cost is recognized on an accelerated basis over the period to which the performance criteria relate.

Earnings per Share

Earnings per share ("EPS") is calculated using the weighted average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share. For purposes of this calculation, options and restricted stock awards are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive. The shares used to compute basic and diluted net income per share represent the weighted-average common shares outstanding.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure." The ASU updates reportable segment disclosure requirements, primarily through requiring enhanced disclosures about significant segment expenses and information used to assess segment performance. These disclosures are required quarterly. The ASU is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024, with early adoption permitted. It is required to be adopted retrospectively for all prior periods presented in the financial statements The Company is currently evaluating the impact of adopting this ASU on its disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The ASU includes amendments requiring enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and should be applied prospectively with the option of retrospective application. The Company is currently evaluating the impact of adopting this ASU on its disclosures.

The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the consolidated financial statements.

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Franchise Development Option Agreement with Related Party

On July 11, 2014, EPL and Trimaran Pollo Partners, L.L.C ("Trimaran") entered into a Franchise Development Option Agreement relating to development of restaurants in the New York–Newark, NY–NJ–CT–PA Combined Statistical Area (the "Territory"). EPL granted Trimaran the exclusive option to develop and open 15 restaurants in the Territory over five years (the "Initial Option"), and, provided that the Initial Option is exercised, the exclusive option to develop and open up to an additional 100 restaurants in the Territory over ten years. The Franchise Development Option Agreement terminates (i) ten years after execution, or (ii) if the Initial Option is exercised, five years after that exercise. Trimaran may only exercise the Initial Option if EPL first determines to begin development of company-operated restaurants in the Territory or support the development of the Territory. The Company has no current intention to begin development in the Territory and as of December 27, 2023, no stores have been opened in the Territory.

On March 28, 2023, Trimaran and certain of Trimaran's affiliates, (collectively, the "Trimaran Group,") distributed substantially all of the shares of the Company's common stock held by the Trimaran Group to their respective investors, members and limited partners.

3. PROPERTY AND EQUIPMENT

The costs and related accumulated depreciation and amortization of major classes of property are as follows (in thousands):

	December 27, 2023	December 28, 2022
Land	$ 12,323	$ 12,323
Buildings and improvements	148,259	153,377
Other property and equipment	86,423	83,035
Construction in progress	7,270	3,196
	254,275	251,931
Less: accumulated depreciation and amortization	(170,248)	(173,287)
	$ 84,027	$ 78,644

Depreciation and amortization expense was $15.2 million, $14.4 million and $15.2 million for the years ended December 27, 2023, December 28, 2022, and December 29, 2021, respectively.

Based on the Company's review of its property and equipment assets for impairment, the Company recorded non-cash impairment charges of $1.5 million, $0.4 million and $0.3 million for the years ended December 27, 2023, December 28, 2022, and December 29, 2021, respectively. See "Impairment of Property and Equipment and ROU Assets" in Note 2 "Summary of Significant Accounting Policies" for additional information.

4. TRADEMARKS AND OTHER INTANGIBLE ASSETS

Domestic trademarks consist of the following (in thousands):

	December 27, 2023	December 28, 2022
Cost	$ 120,700	$ 120,700
Accumulated impairment charges	(58,812)	(58,812)
Trademarks, net	$ 61,888	$ 61,888

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. LEASES

Nature of leases

The Company's operations utilize property, facilities, equipment and vehicles leased from others. Additionally, the Company has various contracts with vendors that have been determined to contain an embedded lease in accordance with Topic 842.

As of December 27, 2023, the Company had no leases that it had entered into, but had not yet commenced.

Building and facility leases

The majority of the Company's building and facilities leases are classified as operating leases; however, the Company currently has one facility and 13 equipment leases that are classified as finance leases.

Restaurants are operated under lease arrangements that generally provide for a fixed base rent and, in some instances, contingent rent based on a percentage of gross operating profit or net revenues in excess of a defined amount. Additionally, a number of the Company's leases have payments, which increase at pre-determined dates based on the change in the consumer price index. For all leases, the Company also reimburses the landlord for non-lease components, or items that are not considered components of a contract, such as common area maintenance, property tax and insurance costs. While the Company determined not to separate lease and non-lease components, these payments are based on actual costs, making them variable consideration and excluding them from the calculations of the ROU asset and lease liability.

The initial terms of land and restaurant building leases are generally 20 years, exclusive of options to renew. These leases typically have four 5-year renewal options, which have generally been excluded in the calculation of the ROU asset and lease liability, as they are not considered reasonably certain to be exercised, unless there have been significant leasehold improvements that have a useful life that extend past the original lease term. Furthermore, there are no residual value guarantees and no restrictions imposed by the lease.

During the year ended December 27, 2023, the Company reassessed the lease terms on 36 restaurants due to certain triggering events, such as the addition of significant leasehold improvements, the decision to terminate a lease, or the decision to renew. As a result of the reassessment, an additional $21.5 million of ROU assets and lease liabilities for the year ended December 27, 2023 were recognized, and will be amortized over the new lease term.

During the year ended December 28, 2022, the Company reassessed the lease terms on 22 restaurants due to certain triggering events, such as the addition of significant leasehold improvements, the decision to terminate a lease, or the decision to renew. As a result of the reassessment, an additional $13.0 million of ROU assets and lease liabilities for the year ended December 28, 2022 were recognized, and will be amortized over the new lease term.

There were no reassessments that impacted the original lease classification during the year ended December 27, 2023. The reassessments had an impact on the original lease classification of one property during the year ended December 28, 2022 which represented $0.7 million of the $13.0 million total additional ROU asset and lease liabilities for fiscal 2022. Additionally, as the Company adopted all practical expedients available under Topic 842, no reallocation between lease and non-lease components was necessary.

The Company also subleases facilities to certain franchisees and other non-related parties which are also considered operating leases. Sublease income also includes contingent rental income based on net revenues. The vast majority of these leases have rights to extend terms via fixed rental increases. However, none of these leases have early termination rights, the right to purchase the premises or any residual value guarantees. The Company does not have any related party leases.

During fiscal 2023, the Company determined that the carrying value of an ROU assets at one restaurant was not recoverable. As a result, the Company recorded a less than $0.1 million non-cash impairment charge for the year ended

December 27, 2023 related to one restaurant in California. During fiscal 2022, the Company determined that the carrying value of an ROU assets at one restaurant was not recoverable. As a result, the Company recorded a less than $0.1 million non-cash impairment charge for the year ended December 28, 2022 related to one restaurant closed in California. During fiscal 2021, the Company determined that the carrying value of ROU assets at two restaurants were not recoverable. As a result, the Company recorded a $0.4 million non-cash impairment charge for the year ended December 29, 2021 related to one restaurant closed in Texas in 2019 and one restaurant closed in California.

Equipment

Leases of equipment primarily consist of restaurant equipment, copiers and vehicles. These leases are fixed payments with no variable component. Additionally, no optional renewal periods have been included in the calculation of the ROU Asset, there are no residual value guarantees and no restrictions imposed.

Significant Assumptions and Judgments

In applying the requirements of Topic 842, the Company made significant assumptions and judgments related to determination of whether a contract contains a lease and the discount rate used for the lease.

In determining if any of the Company's contracts contain a lease, the Company made assumptions and judgments related to its ability to direct the use of any assets stated in the contract and the likelihood of renewing any short-term contracts for a period extending past twelve months.

The Company also made significant assumptions and judgments in determining an appropriate discount rate for property leases. These included using a consistent discount rate for a portfolio of leases entered into at varying dates, using the full 20-year term of the lease, excluding any options, and using the total minimum lease payments. For all other leases, the Company uses the discount rate implicit in the lease, or the Company's incremental borrowing rate.

As the Company has adopted the practical expedient not to separate lease and non-lease components, no significant assumptions or judgments were necessary in allocating consideration between these components, for all classes of underlying assets.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Company's total lease cost, disaggregated by underlying asset (in thousands):

	December 27, 2023			December 28, 2022			December 29, 2021		
	Property Leases	Equipment Leases	Total	Property Leases	Equipment Leases	Total	Property Leases	Equipment Leases	Total
Finance lease cost:									
Amortization of right-of-use assets	$ 73	$ 2	$ 75	$ 73	$ 2	$ 75	$ 78	$ 2	$ 80
Interest on lease liabilities	40	5	45	42	3	45	58	1	59
Operating lease cost:									
Fixed rent cost	27,597	387	27,984	26,537	1,005	27,542	26,501	1,122	27,623
Short-term lease cost	—	8	8	—	18	18	—	21	21
Variable lease cost	546	1,279	1,825	597	677	1,274	539	354	893
Sublease income	(5,570)	—	(5,570)	(4,555)	—	(4,555)	(3,823)	—	(3,823)
Total lease cost	$ 22,686	$ 1,681	$ 24,367	$ 22,694	$ 1,705	$ 24,399	$ 23,353	$ 1,500	$ 24,853

The following table presents the Company's total lease cost on the consolidated statement of income (in thousands):

	December 27, 2023	December 28, 2022	December 29, 2021
Lease cost – Occupancy and other operating expenses	$ 23,736	$ 23,730	$ 24,020
Lease cost – General & administrative	492	465	413
Lease cost – Depreciation and amortization	75	73	78
Lease cost – Interest expense	45	45	59
Lease cost – Closed-store reserve	19	86	283
Total lease cost	$ 24,367	$ 24,399	$ 24,853

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company had the following cash and non-cash activities associated with its leases (dollar amounts in thousands):

	December 27, 2023			December 28, 2022			December 29, 2021		
	Property Leases	Equipment Leases	Total	Property Leases	Equipment Leases	Total	Property Leases	Equipment Leases	Total
Cash paid for amounts included in the measurement of lease liabilities									
Operating cash flows used for operating leases	$ 27,835	$ 321	$ 28,156	$ 27,221	$ 953	$ 28,174	$ 26,414	$ 1,084	$ 27,498
Financing cash flows used for finance leases	$ 93	$ 65	$ 158	$ 106	$ 56	$ 162	$ 102	$ 46	$ 148
Non-cash investing and financing activities:									
Operating lease ROU assets obtained in exchange for lease liabilities:									
Operating lease ROU assets	$ 21,448	$ 54	$ 21,502	$ 12,978	$ 92	$ 13,070	$ 17,763	$ —	$ 17,763
Finance lease ROU assets obtained in exchange for lease liabilities:									
Finance lease ROU assets	$ —	$ 135	$ 135	$ —	$ 28	$ 28	$ —	$ 196	$ 196
Derecognition of ROU assets due to terminations, impairment or modifications	$ (40)	$ (4)	$ (44)	$ (39)	$ (35)	$ (74)	$ (4,513)	$ (99)	$ (4,612)
Other Information									
Weighted-average remaining years in lease term—finance leases	16.87	3.15		17.87	3.19		18.42	4.02	
Weighted-average remaining years in lease term—operating leases	10.42	3.33		10.73	1.73		11.27	1.44	
Weighted-average discount rate —finance leases	2.57 %	5.68 %		2.57 %	1.53 %		2.78 %	1.54 %	
Weighted-average discount rate —operating leases	5.00 %	4.52 %		4.54 %	3.80 %		4.45 %	3.89 %	

Information regarding the Company's minimum future lease obligations at December 27, 2023 is as follows (in thousands):

	Finance Leases	Operating Leases	
For the Years Ending	Minimum Lease Payments	Minimum Lease Payments	Minimum Sublease Income
December 25, 2024	$ 191	$ 28,328	$ 5,886
December 31, 2025	187	27,126	5,518
December 30, 2026	154	25,043	5,034
December 29, 2027	144	23,581	4,858
December 27, 2028	103	21,384	4,484
Thereafter	1,376	118,426	27,854
Total	$ 2,155	$ 243,888	$ 53,634
Less: imputed interest (2.57% - 5.68%)	(398)	(56,314)	
Present value of lease obligations	1,757	187,574	
Less: current maturities	(140)	(19,490)	
Noncurrent portion	$ 1,617	$ 168,084	

Short-Term Leases

The Company has multiple short-term leases, which have terms of less than 12 months, and thus were excluded from the recognition requirements of Topic 842. The Company has recognized these lease payments in its consolidated statement

of income on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

Lessor

The Company is a lessor for certain property, facilities and equipment owned by the Company and leased to others, principally franchisees, under non-cancelable leases with initial terms ranging from 3 to 20 years. These lease agreements generally provide for a fixed base rent and, in some instances, contingent rent based on a percentage of gross operating profit or net revenues. All leases are considered operating leases.

For the leases in which the Company is the lessor, there are options to extend the lease. However, there are no terms and conditions to terminate the lease, no right to purchase premises and no residual value guarantees. Additionally, there are no related party leases.

For the years ended December 27, 2023, December 28, 2022, and December 29, 2021, the Company received $0.3 million, $0.4 million and $0.4 million, respectively, of lease income from company-owned locations.

6. LONG-TERM DEBT

On July 27, 2022, the Company refinanced and terminated its credit agreement (the "2018 Credit Agreement") among EPL, as borrower, the Company and Intermediate, as guarantors, Bank of America, N.A., as administrative agent, swingline lender, and letter of credit issuer, the lenders party thereto, and the other parties thereto, which provided for a $150.0 million five-year senior secured revolving credit facility (the "2018 Revolver"). The 2018 Revolver was refinanced pursuant to a credit agreement (the "2022 Credit Agreement") among EPL, as borrower, the Company and Intermediate, as guarantors, Bank of America, N.A., as administrative agent, swingline lender, and letter of credit issuer, the lenders party thereto, and the other parties thereto, which provides for a $150.0 million five-year senior secured revolving credit facility (the "2022 Revolver"). In connection with the refinancing, the 2018 Credit Agreement was terminated.

The 2022 Revolver includes a sub limit of $15.0 million for letters of credit and a sub limit of $15.0 million for swingline loans. The 2022 Revolver and 2022 Credit Agreement will mature on July 27, 2027. The obligations under the 2022 Credit Agreement and related loan documents are guaranteed by Holdings and Intermediate. The obligations of Holdings, EPL and Intermediate under the 2022 Credit Agreement and related loan documents are secured by a first priority lien on substantially all of their respective assets.

The special dividend announced by the Company's Board of Directors on October 11, 2022 was permitted under the terms of 2022 Revolver pursuant to both subclause (iii)(d) and (iii)(e) of the following sentence. Under the 2022 Revolver, Holdings is restricted from making certain payments such as cash dividends, except that it may, inter alia, (i) pay up to $1.0 million per year to repurchase or redeem qualified equity interests of Holdings held by past or present officers, directors, or employees (or their estates) of the Company upon death, disability, or termination of employment, (ii) pay under its TRA, and (iii) so long as no default or event of default has occurred and is continuing, (a) make non-cash repurchases of equity interests in connection with the exercise of stock options by directors, officers and management, provided that those equity interests represent a portion of the consideration of the exercise price of those stock options, (b) pay up to $0.5 million in any 12 month consecutive period to redeem, repurchase or otherwise acquire equity interests of any subsidiary that is not a wholly-owned subsidiary from any holder of equity interest in such subsidiary, (c) pay up to $2.5 million per year pursuant to stock option plans, employment agreements, or incentive plans, (d) make up to $5.0 million in other restricted payments per year, and (e) make other restricted payments, subject to its compliance, on a pro forma basis, with (x) a lease-adjusted consolidated leverage ratio not to exceed 4.25 times and (y) the financial covenants applicable to the 2022 Revolver.

Borrowings under the 2022 Credit Agreement (other than any swingline loans) bear interest, at the borrower's option, at rates based upon either the secured overnight financing rate ("SOFR") or a base rate, plus, for each rate, a margin determined in accordance with a lease-adjusted consolidated leverage ratio-based pricing grid. The base rate is calculated as the highest of (a) the federal funds rate plus 0.50%, (b) the published Bank of America prime rate, or

(c) Term SOFR with a term of one-month SOFR plus 1.00%. For Term SOFR loans, the margin is in the range of 1.25% to 2.25%, and for base rate loans the margin is in a range of 0.25% to 1.25%. Borrowings under the 2022 Revolver may be repaid and reborrowed. For borrowings under the 2022 Revolver during fiscal 2023, the interest rate range was 5.7% to 7.0%. For borrowings under the 2022 Revolver and the 2018 Revolver during fiscal 2022, the interest rate range was 1.4% to 6.0%. The interest rate under the 2022 Revolver was 7.0% at December 27, 2023 and 5.7% at December 28, 2022. For the year ended December 27, 2023, the Company had interest expense of $4.4 million under the 2022 Revolver. For the years ended December 28, 2022 and December 29, 2021, the Company had interest expense of $0.9 million and $1.2 million, respectively, under the 2022 Revolver and the 2018 Revolver.

The 2022 Credit Agreement contains certain financial covenants. The Company was in compliance with all such covenants at December 27, 2023.

At December 27, 2023, $9.8 million of letters of credit and $84.0 million of borrowings were outstanding under the 2022 Revolver. The amount available under the 2022 Revolver was $56.2 million at December 27, 2023. At December 28, 2022, $9.8 million of letters of credit and $66.0 million of borrowings were outstanding under the 2022 Revolver. The amount available under the 2022 Revolver was $74.2 million at December 28, 2022.

Maturities

On July 27, 2022, the Company refinanced and terminated the 2018 Revolver pursuant to the 2022 Credit Agreement. The 2022 Revolver and 2022 Credit Agreement will mature on July 27, 2027. During the year ended December 27, 2023, the Company borrowed $18.0 million net of pay downs of $21.0 million on its 2022 Revolver. During the year ended December 28, 2022, the Company borrowed $26.0 million net of pay downs of $20.0 million on its 2022 Revolver. There are no required principal payments prior to maturity for the 2022 Revolver.

Interest Rate Swap

During the year ended December 25, 2019, the Company entered into a variable-to-fixed interest rate swap agreement with a notional amount of $40.0 million that matures in June 2023. The objective of the interest rate swap was to reduce the Company's exposure to interest rate risk for a portion of its variable-rate interest payments on its borrowings under the 2018 Revolver. The interest rate swap was designated as a cash flow hedge, as the changes in the future cash flows of the swap were expected to offset changes in expected future interest payments on the related variable-rate debt, in accordance with Accounting Standards Codification ("ASC") 815 "Derivatives and Hedging."

In connection with the Company's entry into the 2022 Credit Agreement, on July 28, 2022, the Company terminated the interest rate swap, which was previously used to hedge interest rate risk. Prior to the interest rate swap termination, the swap was a highly effective cash flow hedge. In settlement of this swap, the Company received approximately $0.6 million and derecognized the corresponding interest rate swap asset. The remaining amount in AOCI related to the hedging relationship will be reclassified into earnings when the hedged forecasted transaction is reported in earnings.

The following table summarizes the effect of the Company's cash flow hedge accounting on the consolidated statements of income (in thousands):

	December 27, 2023	December 28, 2022	December 29, 2021
Interest expense on hedged portion of debt	$ —	$ 439	$ 568
Interest (income) expense on interest rate swap	(170)	(296)	486
Interest (income) expense on debt and derivatives, net	$ (170)	$ 143	$ 1,054

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The following table summarizes the effect of the Company's cash flow hedge accounting on AOCI for the years ended December 27, 2023, December 28, 2022 and December 29, 2021 (in thousands):

	Net Gain Recognized in OCI			(Gain) Loss Reclassified from AOCI into Interest Income		
	December 27, 2023	December 28, 2022	December 29, 2021	December 27, 2023	December 28, 2022	December 29, 2021
Interest rate swap	$ —	$ 862	$ 257	$ (170)	$ (296)	$ 486

See Note 2 "Summary of Significant Accounting Policies" for the fair value of the Company's derivative asset.

7. OTHER ACCRUED EXPENSES AND CURRENT LIABILITIES

Other accrued expenses and current liabilities consist of the following (in thousands):

	December 27, 2023	December 28, 2022
Accrued sales and property taxes	$ 5,229	$ 5,270
Gift card liability	4,877	4,667
Loyalty rewards program liability	687	526
Accrued advertising	3,010	831
Accrued legal settlements and professional fees	720	1,303
Deferred franchise and development fees	586	610
Other	3,252	1,913
Total other accrued expenses and current liabilities	$ 18,361	$ 15,120

8. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of the following (in thousands):

	December 27, 2023	December 28, 2022
Deferred franchise and development fees	$ 6,411	$ 5,767
Other	34	89
Total other noncurrent liabilities	$ 6,445	$ 5,856

9. INCOME TAXES

The provision for income taxes is based on the following components (in thousands):

For the Years Ended	December 27, 2023	December 28, 2022	December 29, 2021
Current income taxes:			
Federal	$ 6,572	$ 2,366	$ 7,163
State	1,846	1,112	2,158
Total current	8,418	3,478	9,321
Deferred income taxes:			
Federal	(29)	2,958	93
State	935	1,642	918
Total deferred	906	4,600	1,011
Tax provision for income taxes	$ 9,324	$ 8,078	$ 10,332

The provision for income taxes differs from the amount computed by applying the federal income tax rate of 21.0% for fiscal 2023, 2022 and 2021 as follows:

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For the Years Ended	December 27, 2023	December 28, 2022	December 29, 2021
Statutory federal income tax rate applied to earnings before income taxes and extraordinary items	21.0 %	21.0 %	21.0 %
State income tax expense (net of federal benefit)	6.4	7.7	5.9
Change in valuation allowance	(19.3)	—	0.1
State credit expiration	19.1	—	—
TRA expense (income)	0.1	(0.3)	—
162(m)	0.6	0.5	0.8
WOTC Credit	(0.7)	(0.9)	(0.5)
Stock option exercises	0.1	0.3	(1.4)
Deferred tax liability true up	(1.1)	—	—
Other	0.5	(0.3)	0.3
Total	26.7 %	28.0 %	26.2 %

As of December 27, 2023, the Company had no federal and less than $0.1 million state NOL carryforwards. These State NOLs expire beginning 2029. The utilization of NOL carryforwards and state enterprise zone credits may be subject to limitation under section 382 of the Internal Revenue Code of 1986 (the “Code”) and similar state law provisions.

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has evaluated the available evidence supporting the realization of its gross deferred tax assets. After evaluating all of the positive and negative evidence, including the Company’s continued income from operations, the Company concluded that it is more likely than not that its deferred tax assets except for certain state credits will be realized. In fiscal 2021 and 2022, the Company recorded a valuation allowance of approximately $0.1 million and $0.5 million, respectively, against its deferred tax asset resulting from certain tax credits that may not be realizable prior to the time the credits expire. As of December 27, 2023, the Company released the corresponding valuation allowance since the ten-year carryover period for California Enterprise Zone credits expired at the end of fiscal 2023. As of December 28, 2022, the deferred tax assets related to the California Enterprise Zone credits, net of valuation allowances are $0.5 million.

On July 30, 2014, the Company entered into the TRA. The TRA calls for the Company to pay its pre-IPO stockholders 85% of the cash savings that the Company realizes in its taxes as a result of utilizing its NOLs and other tax attributes attributable to preceding periods. The TRA charge expense (benefit) is a permanent add-back to the Company’s taxable income. In fiscal 2023, 2022 and 2021, TRA resulted in $0.1 million of expense, $0.4 million of income and less than $0.1 of expense, respectively, in each case as a result of the amortization of interest expense related to the total expected TRA payments and changes in estimates for actual tax returns filed and future forecasted taxable income. In fiscal 2023, 2022 and 2021, the Company paid $0.3 million, $0.4 million and $1.7 million, respectively, to its pre-IPO stockholders under the TRA.

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The Company's deferred tax assets and liabilities as of December 27, 2023 and December 28, 2022 are summarized below.

	December 27, 2023	December 28, 2022
Deferred assets:		
Capital leases	$ 62	$ 55
Accrued vacation	470	508
Accrued workers' compensation	2,352	2,201
Enterprise zone and other credits	—	7,258
Net operating losses	5	5
Fixed assets	2,705	2,392
ROU liabilities	50,735	50,112
Other	5,560	4,397
Total deferred tax assets	61,889	66,928
Valuation allowance	—	(6,727)
Net deferred tax assets	61,889	60,201
Deferred liabilities:		
Goodwill	(5,938)	(6,420)
Trademark	(16,740)	(16,721)
Prepaid expense	(1,128)	(595)
ROU assets	(45,445)	(44,737)
Fixed assets	(1,470)	—
Other	(46)	267
Deferred tax liabilities	(70,767)	(68,206)
Net deferred tax liability	$ (8,878)	$ (8,005)

The net deferred tax asset/(liability) amounts above as of December 27, 2023 and December 28, 2022 have been classified in the accompanying consolidated balance sheets as noncurrent assets/(liabilities) and are as follows (in thousands):

	December 27, 2023	December 28, 2022
Noncurrent:		
(Liabilities) assets - state	$ (416)	$ 512
Liabilities - federal	(8,462)	(8,517)
Net deferred tax liability	$ (8,878)	$ (8,005)

As of December 27, 2023 and December 28, 2022, the Company had no accrual for unrecognized tax benefits. Consequently, no interest or penalties have been accrued by the Company. The Company believes that no significant changes to the amount of unrecognized tax benefits will occur within the next twelve months. The Company is subject to taxation in the United States and in various state jurisdictions.

The Company is no longer subject to U.S. examination for years before 2020 by the federal taxing authority, and for years before 2019 by state taxing authorities.

10. EMPLOYEE BENEFIT PLANS

The Company sponsors a defined contribution employee benefit plan that permits its employees, subject to certain eligibility requirements, to contribute up to 25% of their qualified compensation to the plan. The Company matches 100% of the employees' contributions of the first 3% of the employees' annual qualified compensation, and 50% of the employees' contributions of the next 2% of the employees' annual qualified compensation. The Company's matching contribution immediately fully vests. The Company's contributions to the plan were $0.8 million for the years ended December 27, 2023, December 28, 2022 and December 29, 2021.

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11. STOCK-BASED COMPENSATION

Pursuant to the 2018 Omnibus Equity Incentive Plan the Company grants stock options ("options"), restricted stock units, performance-based stock units and restricted stock. The Company has authorized 5,652,240 shares of common stock for issuance in connection with stock awards. On June 8, 2021, the Company's stockholders approved amending the Equity Incentive Plan, formerly the 2018 Omnibus Equity Incentive Plan, under which the new aggregate share limit was increased to be 2,000,000 shares. As of December 27, 2023, 610,098 shares were available for grant.

During the years ended December 27, 2023, December 28, 2022 and December 29, 2021, the Company recognized stock-based compensation expense of $3.0 million, $3.5 million and $3.2 million, respectively. These expenses were included in general and administrative expenses consistent with the salary expense for the related optionees in the accompanying consolidated statements of income.

Stock Options

At December 27, 2023, options to purchase 843,320 shares of common stock of the Company were outstanding, including 380,896 vested and 462,424 unvested. Unvested options vest over time, or upon the Company's achievement of annual financial goals. However, the compensation committee of the board of directors, as administrator of the Company's Equity Incentive Plan, has the power to accelerate the vesting schedule of stock-based compensation, and, generally, in the event of an employee termination in connection with a change in control of the Company, any unvested portion of an award under the plan shall become fully vested. At December 27, 2023, there were no premium options that were granted above the stock price at date of grant. In fiscal 2023, the Company granted 562,344 options, with an exercise price equal to the fair market value of the common stock on the date of grant. The options granted in fiscal 2023 had a four year vesting period. Stock options generally expire ten years from the date of grant. In fiscal 2022, the Company granted 372,958 options, with an exercise price equal to the fair market value of the common stock on the date of grant. The options granted in fiscal 2022 had a four year vesting period. Stock options generally expire 10 years from the date of grant. Changes in options for the years ended December 27, 2023 and December 28, 2022, are as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Life Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding - December 29, 2021	978,078	$ 11.45		
Grants	372,958	10.54		
Exercised	(185,798)	9.22		
Forfeited, cancelled or expired	(97,059)	12.06		
Outstanding – December 28, 2022	1,068,179	$ 9.92		
Grants	562,344	9.15		
Exercised	(219,960)	5.32		
Forfeited, cancelled or expired	(567,243)	$ 10.63		
Outstanding – December 27, 2023	843,320	$ 10.13	6.73	$ 33
Vested and expected to vest at December 27, 2023	835,581	$ 10.14	6.71	$ 32
Exercisable at December 27, 2023	380,896	$ 11.09	3.90	$ —

The intrinsic value of options exercised, calculated as the difference between the market value on the date of exercise and the exercise price, was $0.9 million, $0.8 million and $1.6 million for fiscal years 2023, 2022 and 2021, respectively.

The Company measures and recognizes compensation expense for the estimated fair value of stock options for employees and non-employee directors and similar awards based on the grant-date fair value of the award. For options that are based on a service requirement, the cost is recognized on a straight-line basis over the requisite service period, usually the vesting period. For options that were based on performance requirements, costs were recognized over periods to which the performance criteria related. In order to calculate the Company's stock options' fair values and the associated compensation costs for share-based awards, the Company utilizes the Black–Scholes option pricing model and has developed estimates of various inputs including forfeiture rate, expected term, expected volatility, and risk-free

interest rate. The forfeiture rate is based on historical rates and reduces the compensation expense recognized. The expected term for options granted is derived using the "simplified" method, in accordance with SEC guidance. The Company calculates the risk-free interest rate using the implied yield for a U.S. Treasury security with constant maturity and a remaining term equal to the expected term of the Company's employee stock options. The Company does not anticipate paying any cash dividends for the foreseeable future and therefore uses an expected dividend yield of zero for option valuation purposes. Expected volatility is based on the Company's historical data. Volatility is calculated by taking the historical daily closing equity prices of the Company, prior to the grant date, over a period equal to the expected term.

The weighted-average estimated fair value of employee stock options granted in fiscal 2023 and 2022 was $4.41 and $4.89 per share, respectively, using the Black–Scholes model with the following weighted-average assumptions used to value the option grants:

	December 27, 2023	December 28, 2022
Expected volatility	43.8 %	43.0 %
Risk-free interest rate	3.7 %	2.9 %
Expected term (years)	6.20	6.25
Expected dividends	—	—

As of December 27, 2023, the Company had total unrecognized compensation expense of $1.8 million related to unvested stock options, which the Company expects to recognize over a weighted average period of 2.9 years.

The above assumptions generally require significant judgment. If in the future the Company determines that another method is more reasonable, or if another method for calculating these input assumptions is prescribed by authoritative guidance, and, therefore, should be used to estimate volatility or expected term, the fair value calculated for the Company's stock options could change significantly. Higher volatility and longer expected lives result in an increase to stock-based compensation expense determined at the date of grant.

The Company estimates its forfeiture rate based on an analysis of its actual forfeitures and will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior, and other factors. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the cumulative effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously-estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the financial statements. If a revised forfeiture rate is lower than the previously-estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in the financial statements. The effect of forfeiture adjustments was insignificant in fiscal 2023, 2022 and 2021. The Company will continue to use significant judgment in evaluating the expected term, volatility, and forfeiture rate related to its stock-based compensation.

Restricted Shares

In fiscal 2023 and 2022, 454,081 and 356,610 restricted share awards were granted, respectively, at the fair market value on the date of grant. These grants vest based on continued service over one year for directors and four years for employees.

Changes in restricted shares for the years ended December 27, 2023 and December 28, 2022, are as follows:

	Shares	Weighted-Average Fair Value
Unvested shares at December 29, 2021	495,780	$ 13.92
Granted	356,610	$ 10.37
Released	(201,043)	$ 13.32
Forfeited, cancelled, or expired	(105,867)	$ 12.91
Unvested shares at December 28, 2022	545,480	$ 12.02
Granted	454,081	$ 9.08

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Released	(190,415)	$	12.25
Forfeited, cancelled, or expired	(271,685)	$	11.06
Unvested shares at December 27, 2023	537,461	$	9.94

As of December 27, 2023, there was total unrecognized compensation expense of $3.5 million related to unvested restricted share awards, which the Company expects to recognize over a weighted-average period of 2.48 years and unrecognized compensation expense of $0.3 million related to unvested restricted units, which it expects to recognize over a weighted-average period of 0.87 years.

12. EARNINGS PER SHARE

Basic EPS is calculated using the weighted-average number of shares of common stock outstanding during the years ended December 27, 2023, December 28, 2022, and December 29, 2021. Diluted EPS is calculated using the weighted-average number of shares of common stock outstanding and potentially dilutive during the period, using the treasury stock method.

On October 11, 2022, the Company's Board of Directors approved a share repurchase program (the "2022 Stock Repurchase Plan") under which the Company was authorized to repurchase up to $20.0 million of shares of its common stock through March 28, 2024.

Under the 2022 Stock Repurchase Plan, the Company was permitted to repurchase its common stock from time to time, in amounts and at prices that the Company deemed appropriate, subject to market conditions and other considerations. Pursuant to the 2022 Stock Repurchase Plan, the Company was authorized to effect repurchases using open market purchases, including pursuant to Rule 10b5-1 trading plans, and/or through privately negotiated transactions.

For the year ended December 27, 2023, the Company repurchased 2,030,850 shares of common stock under the 2022 Stock Repurchase Plan, using open market purchases, for total consideration of approximately $20.0 million. The common stock repurchased under 2022 Stock Repurchase Plan were retired upon repurchase. The 2022 Stock Repurchase Plan commenced on January 9, 2023, and was completed on July 12, 2023.

On August 7, 2023, the Company entered into a Stock Repurchase Agreement with FS Equity Partners V, L.P. and FS Affiliates V, L.P. (together, the "Sellers"), pursuant to which the Company agreed to purchase an aggregate of 2,500,000 shares of the Company's common stock from the Sellers at a price of $10.63 per share, representing the closing price of such shares as listed on Nasdaq on August 7, 2023, for a total purchase price of $26.6 million. The repurchase was completed in August 2023.

Prior to the repurchase, Freeman Spogli & Co. ("Freeman Spogli"), collectively with the Sellers and certain other funds managed by Freeman Spogli, was the Company's largest stockholder. In addition, John Roth, a director of the Company until his resignation on August 16, 2023, is a general partner of Freeman Spogli and its chief executive officer.

On November 2, 2023, the Company announced that its Board of Directors approved a share repurchase program under which the Company is authorized to repurchase up to $20,000,000 of shares of the Company's common stock. Shares may be repurchased from time to time on the open market, in block trades, pursuant to structured or derivative transactions or in privately negotiated transactions. The amount and timing of any shares repurchased under the program will be determined at the discretion of management and will depend on a number of factors, including the market price of the Company's stock, trading volume, general market and economic conditions, the Company's capital position, legal requirements, and other factors. The Company may also from time to time establish one or more plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, for the repurchase of shares of its common stock under the program. The repurchase program does not obligate the Company to acquire any particular number of shares. The repurchase program will terminate on March 31, 2025 and may be modified, suspended or discontinued at any time.

On November 29, 2023, in accordance with the board approved share repurchase program, the Company entered into a second Stock Repurchase Agreement with the Sellers (the "Repurchase Agreement"), pursuant to which the Company agreed to purchase an aggregate of 1,500,000 shares of the Company's common stock from the Sellers at a price of

$8.40 per share, representing the closing price of such shares as listed on Nasdaq on November 29, 2023, for a total purchase price of $12,600,000. The repurchase was completed on December 4, 2023. Following completion of this repurchase, approximately $7.4 million of our common stock remained available for repurchase under the share repurchase program at December 27, 2023. John Roth, a former director of the Company until his resignation effective August 16, 2023, is a general partner and chief executive officer of Freeman Spogli, which manages the Sellers.

Below are basic and diluted EPS data for the periods indicated, which are in thousands except for per share data.

	For the Years Ended		
	December 27, 2023	December 28, 2022	December 29, 2021
Numerator:			
Net income	$ 25,554	$ 20,801	$ 29,121
Denominator:			
Weighted-average shares outstanding—basic	34,253,542	36,350,579	35,973,892
Weighted-average shares outstanding—diluted	34,374,706	36,575,904	36,446,756
Net income per share—basic	$ 0.75	$ 0.57	$ 0.81
Net income per share—diluted	$ 0.74	$ 0.57	$ 0.80
Anti-dilutive securities not considered in diluted EPS calculation	972,181	535,574	136,397

Below is a reconciliation of basic and diluted share counts.

	For the Years Ended		
	December 27, 2023	December 28, 2022	December 29, 2021
Weighted-average shares outstanding—basic	34,253,542	36,350,579	35,973,892
Dilutive effect of stock options and restricted shares	121,164	225,325	472,864
Weighted-average shares outstanding—diluted	34,374,706	36,575,904	36,446,756

13. COMMITMENTS AND CONTINGENCIES

Legal Matters

On or about November 5, 2015, a purported Holdings shareholder filed a derivative complaint on behalf of Holdings in the Court of Chancery of the State of Delaware against certain Holdings officers, directors and Trimaran, under the caption Armen Galustyan v. Sather, et al. (Case No. 11676-VCL). The derivative complaint alleges that these defendants breached their fiduciary duties to Holdings and were unjustly enriched when they sold shares of Holdings at artificially inflated prices due to alleged misrepresentations and omissions regarding EPL's comparable store sales in the second quarter of 2015. The Holdings shareholder's requested remedies include an award of compensatory damages to Holdings, as well as a court order to improve corporate governance by putting forward for stockholder vote certain resolutions for amendments to Holdings' Bylaws or Certificate of Incorporation. The Holdings shareholder voluntarily dismissed the action on October 7, 2020. A second purported Holdings shareholder filed a derivative complaint on or about September 23, 2016, under the caption Diep v. Sather, CA 12760-VCL in the Delaware Court of Chancery. The Diep action is also purportedly brought on behalf of Holdings, names the same defendants and asserts substantially the same claims on substantially the same alleged facts as does Galustyan. Defendants moved to stay or dismiss the Diep action.

On March 17, 2017, the Delaware court granted in part, and denied in part, the motion to stay the Diep action. The court denied defendants' motion to dismiss the complaint for failure to state a claim. On January 17, 2018, the court entered an order granting the parties' stipulation staying all proceedings in the Diep action for five months or until the completion of an investigation of the allegations in the action by a special litigation committee of the Holdings board of directors (the "SLC"). On September 25, 2020, after concluding its investigation, the SLC filed a motion to dismiss the Diep action and filed its investigative report under seal as an exhibit to the motion to dismiss.

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On May 21, 2021, while the SLC's motion to dismiss the Diep action was pending, the Company filed a notice of proposed partial settlement of the Diep action with respect to defendants Kay Bogeajis, Laurance Roberts, Stephen J. Sather, Edward J. Valle, Douglas K. Ammerman, and Samuel N. Borgese (collectively, the "Settling Defendants"). Defendant Trimaran was not a party to the settlement. The court approved the settlement of $625,000, less Plaintiffs' fees of $156,250, on September 10, 2021, and dismissed all claims brought, or that could have been brought, against Settling Defendants. In connection with this settlement, the Company received $469,000 in insurance proceeds, which was recorded within general and administrative expenses in the Company's statement of income for the year ended December 29, 2021.

On July 30, 2021, the court granted the SLC's motion to dismiss with respect to the claims asserted against remaining defendant Trimaran. On October 4, 2021, Plaintiffs filed a notice of appeal of the court's granting of the motion to dismiss against defendant Trimaran. Plaintiff filed its opening brief on December 6, 2021. SLC filed its answering brief on December 20, 2021 and the public version of the brief was filed on January 7, 2022. Plaintiffs filed the reply brief on January 4, 2022. The hearing on the appeal took place on March 30, 2022. On June 28, 2022, the court's granting of the motion to dismiss against Trimaran was affirmed.

The Company is also involved in various other claims such as wage and hour and other legal actions that arise in the ordinary course of business. The outcomes of these actions are not predictable but the Company does not believe that the ultimate resolution of these other actions will have a material adverse effect on its financial position, results of operations, liquidity, or capital resources. A significant increase in the number of claims, or an increase in amounts owing under successful claims, could materially and adversely affect its business, consolidated financial condition, results of operations, and cash flows.

Purchase Commitments

The Company has long-term beverage supply agreements with certain major beverage vendors. Pursuant to the terms of these arrangements, marketing rebates are provided to the Company and its franchisees from the beverage vendors based upon the dollar volume of purchases for system-wide restaurants which will vary according to their demand for beverage syrup and fluctuations in the market rates for beverage syrup. These contracts have terms extending through the end of 2024.

At December 27, 2023, the Company's total estimated commitment to purchase chicken was $31.3 million.

Contingent Lease Obligations

As a result of assigning the Company's interest in obligations under real estate leases in connection with the sale of company-operated restaurants to some of the Company's franchisees, the Company is contingently liable on three lease agreements. These leases have various terms, the latest of which expires in 2038. As of December 27, 2023, the potential amount of undiscounted payments the Company could be required to make in the event of non-payment by the primary lessee was $3.8 million. The present value of these potential payments discounted at the Company's estimated pre-tax cost of debt at December 27, 2023 was $2.6 million. The Company's franchisees are primarily liable on the leases. The Company has cross-default provisions with these franchisees that would put them in default of their franchise agreements in the event of non-payment under the leases. The Company believes that these cross-default provisions reduce the risk that payments will be required to be made under these leases.

Employment Agreements

As of December 27, 2023, the Company had employment agreements with two of the officers of the Company. These agreements provide for minimum salary levels, possible annual adjustments for cost-of-living changes, and incentive bonuses that are payable under certain business conditions.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Indemnification Agreements

The Company has entered into indemnification agreements with each of its current directors and officers. These agreements require the Company to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to the Company and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. The Company also intends to enter into indemnification agreements with future directors and officers.

14. RELATED PARTY TRANSACTIONS

On March 28, 2023, Trimaran Group distributed substantially all of the shares of the Company's common stock held by the Trimaran Group to their respective investors, members and limited partners.

Additionally, on November 29, 2023, the Company entered into the Stock Repurchase Agreement with the Sellers. The Company previously repurchased 2,500,000 shares of its common stock from the Sellers pursuant to a Stock Repurchase Agreement, dated August 7, 2023, as previously reported on Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2023. John Roth, a former director of the Company until his resignation effective August 16, 2023, is a general partner and chief executive officer of Freeman Spogli, which manages the Sellers. See Note 12 "Earnings per Share" for additional information.

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

Nature of products and services

The Company has two revenue streams, company-operated restaurant revenue and franchise related revenue. See Note 2 "Summary of Significant Accounting Policies" for a description of the revenue recognition policies.

Franchise and franchise advertising fee revenue

Franchise revenue consists of franchise royalties, initial franchise fees, license fees due from franchisees, IT support services, and rental income for subleases to franchisees. Franchise advertising fee revenue consists of advertising contributions received from franchisees.

Disaggregated revenue

The following table presents the Company's revenues for the years ended December 27, 2023, December 28, 2022 and December 29, 2021 disaggregated by revenue source and market (in thousands):

	December 27, 2023	December 28, 2022	December 29, 2021
Core Market[1]:			
Company-operated restaurant revenue	$ 381,319	$ 384,504	$ 371,067
Franchise revenue	19,805	17,953	16,062
Franchise advertising fee revenue	13,520	13,223	12,017
Total core market	$ 414,644	$ 415,680	$ 399,146
Non-Core Market[2]:			
Company-operated restaurant revenue	$ 17,118	$ 18,714	$ 23,666
Franchise revenue	21,197	20,272	17,667
Franchise advertising fee revenue	15,705	15,293	13,884
Total non-core market	$ 54,020	$ 54,279	$ 55,217
Total revenue	**$ 468,664**	**$ 469,959**	**$ 454,363**

EL POLLO LOCO HOLDINGS, INC.

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(1) Core Market includes markets with existing company-operated restaurants at the time of the Company's Initial Public Offering ("IPO") on July 28, 2014.

(2) Non-Core Market includes markets entered into by the Company subsequent to the IPO date.

The following table presents the Company's revenues disaggregated by geographic market for the years ended December 27, 2023, December 28, 2022 and December 29, 2021:

	December 27, 2023	December 28, 2022	December 29, 2021
Greater Los Angeles area market	71.3 %	71.2 %	70.9 %
Other markets	28.7 %	28.8 %	29.1 %
Total	**100 %**	**100 %**	**100 %**

Contract balances

The following table provides information about the change in the franchise contract liability balances during the year ended December 27, 2023 and December 28, 2022 (in thousands):

December 29, 2021	$ 6,328
Revenue recognized - beginning balance	(744)
Additional contract liability	793
December 28, 2022	$ 6,377
Revenue recognized - beginning balance	(791)
Additional contract liability	1,411
December 27, 2023	**$ 6,997**

The Company's franchise contract liability includes development fees, initial franchise and license fees, franchise renewal fees, lease subsidies and royalty discounts and is included within other accrued expenses and current liabilities and other noncurrent liabilities within the accompanying consolidated balance sheets. The Company receives area development fees from franchisees when they execute multi-unit area development agreements. Initial franchise and license fees, or franchise renewal fees, are received from franchisees upon the execution of, or renewal of, a franchise agreement. Revenue is recognized from these agreements as the underlying performance obligation is satisfied, which is over the term of the agreement.

For the year ended December 27, 2023, there was an increase to the contract liability balance due to the Company's completion of the sale of 18 company-operated restaurants within the California, Utah and Texas to an existing franchisee. This resulted in a net gain on sale of restaurant of $5.0 million including an additional contract liability of $0.3 million, relating to allocation of the transaction price to various performance obligations under the applicable contracts of the sale. For the year ended December 28, 2022, there was an increase to the contract liability balance due to the Company's completion of the sale of three company-operated restaurants within the Orange County area to an existing franchisee. This resulted in additional contract liability of $0.8 million, relating to allocation of the transaction price to various performance obligations under the applicable contracts of the sale.

The following table illustrates the estimated revenue to be recognized in the future related to performance obligations that are unsatisfied as of December 27, 2023 (in thousands):

Franchise revenues:	
2024	$ 600
2025	555
2026	533
2027	513
2028	484
Thereafter	4,312
Total	**$ 6,997**

Changes in the loyalty rewards program liability included in other accrued expenses and current liabilities on the consolidated balance sheets were as follows (in thousands):

	December 27, 2023	December 28, 2022	December 29, 2021
Loyalty rewards liability, beginning balance	$ 526	$ 687	$ 900
Revenue deferred	2,065	2,754	2,677
Revenue recognized	(1,904)	(2,915)	(2,890)
Loyalty rewards liability, ending balance	**$ 687**	**$ 526**	**$ 687**

The Company expects all loyalty points revenue related to performance obligations unsatisfied as of December 27, 2023 to be recognized within one year.

Gift Cards

The gift card liability included in other accrued expenses and current liabilities on the consolidated balance sheets was as follows (in thousands):

	December 27, 2023	December 28, 2022
Gift card liability	**$** 4,877	**$** 4,667

Revenue recognized from the redemption of gift cards that was included in other accrued expenses and current liabilities at the beginning of the year was as follows (in thousands):

	December 27, 2023	December 28, 2022	December 29, 2021
Revenue recognized from gift card liability balance at the beginning of the year	$ 1,064	$ 1,145	$ 1,218

Contract Costs

The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under Topic 606.

16. SHAREHOLDER RIGHTS AGREEMENT

On August 8, 2023, the Company's Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each share of common stock, par value $0.01 per share, of the Company (the "Common Shares") outstanding on August 18, 2023 to the stockholders of record on that date. In connection with the distribution of the Rights, the Company entered into a Rights Agreement (the "Rights Agreement"), dated as of August 8, 2023, between the Company and Equiniti Trust Company, LLC, as rights agent. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred Stock, par value $0.01 per share, of the Company (the "Preferred Shares") at a price of $53.75 per one one-thousandth of a Preferred Share represented by a Right, subject to adjustment.

Under the Rights Agreement, the Rights will generally be exercisable only in the event that a person or group of affiliated or associated persons (such person or group being an "Acquiring Person"), other than certain exempt persons, acquires (or commences a tender offer or exchange offer the consummation of which would result in) beneficial ownership of 12.5% or more of the outstanding Common Shares. In such case (with certain limited exceptions), each holder of a Right (other than the Acquiring Person, whose Rights shall become void) will have the right to receive, upon exercise at the then current exercise price of the Right, Common Shares (or, if the Board so elects, cash, securities, or other property) having a value equal to two times the exercise price of the Right.

EL POLLO LOCO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At any time after any person or group becomes an Acquiring Person, the Board may exchange the Rights at an exchange ratio of one Common Share per Right (subject to adjustment).

If, at any time after a person or group becomes an Acquiring Person, (i) the Company engages in a consolidation or merger and, in connection there with all or part of the Common Shares are or will be changed into or exchanged for stock or other securities of any other person or cash or any other property; or (ii) 50% or more of the Company's consolidated assets or earning power are sold, then each holder of a Right will thereafter have the right to receive, upon exercise at the then current exercise price of the Right, that number of shares of common stock of the acquiring company having a market value of two times the exercise price of the Right.

At any time prior to the time any person or group becomes an Acquiring Person, the Board may redeem the Rights at a price of $0.001 per Right (the "Redemption Price"). Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. The Rights will expire at the close of business on August 7, 2024.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15 (e) of the Exchange Act) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the required time periods, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our disclosure controls and procedures are based on assumptions about the likelihood of future events, and even effective disclosure controls and procedures can only provide reasonable assurance of achieving their objectives. Because of their inherent limitations, we cannot guarantee that our disclosure controls and procedures will succeed in achieving their stated objectives in all cases, that they will be complied with in all cases, or that they will prevent or detect all misstatements.

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 27, 2023.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 27, 2023 based on the criteria in Internal Control — Integrated Framework ("2013 Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 27, 2023 based on the criteria established in the 2013 Framework.

The effectiveness of our internal control over financial reporting as of December 27, 2023 has been audited by BDO USA, P.C., the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, as stated in their report included herein.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting occurred during the quarter ended December 27, 2023 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
El Pollo Loco Holdings, Inc.
Costa Mesa, California

Opinion on Internal Control over Financial Reporting

We have audited El Pollo Loco Holdings, Inc.'s (the "Company's") internal control over financial reporting as of December 27, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 27, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 27, 2023 and December 28, 2022, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 27, 2023, and the related notes and our report dated March 8, 2024, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.
Costa Mesa, California
March 8, 2024

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from our definitive proxy statement to be filed not later than 120 days after the end of our 2023 fiscal year. In addition, our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all of our directors, employees and officers, including our principal executive officer, principal financial officer, principal accounting officer, controller, and any persons performing similar functions. The current version of the Code of Business Conduct and Ethics is available on our website under the Corporate Governance section at *www.elpolloloco.com*. To the extent required by rules adopted by the SEC and The Nasdaq Stock Market LLC, we intend to promptly disclose future amendments to certain provisions of the Code of Business Conduct and Ethics, or waivers of such provisions granted to executive officers and directors, on our website under the Corporate Governance section at *www.elpolloloco.com*.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from our definitive proxy statement to be filed not later than 120 days after the end of our 2023 fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from our definitive proxy statement to be filed not later than 120 days after the end of our 2023 fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from our definitive proxy statement to be filed not later than 120 days after the end of our 2023 fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from our definitive proxy statement to be filed not later than 120 days after the end of our 2023 fiscal year.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report:

(1) Financial Statements: Consolidated financial statements filed as part of this report are listed under Item 8. Financial Statements and Supplementary Data.

(2) Financial Statement Schedules: None.

(3) Exhibits:

			Incorporated by Reference				
Number	Description	Filed Herewith	Form	Period Ended	Exhibit	Filing Date	SEC File Number
3.1	Amended and Restated Certificate of Incorporation of El Pollo Loco Holdings, Inc.		10-Q	6/25/2014	3.1	9/5/2014	001-36556
3.2	Certificate of Designations of Series A Preferred Stock of El Pollo Loco Holdings, Inc., as filed with the Secretary of State of the State of Delaware on August 9, 2023		8-K	N/A	3.1	8/9/2023	001-36556
3.3	Amended and Restated By-Laws of El Pollo Loco Holdings, Inc.		8-K	N/A	3.1	2/2/2024	001-36556
4.1	Description of El Pollo Loco Holdings, Inc. Capital Stock	X					
4.2	Rights Agreement, dated as of August 8, 2023, between El Pollo Loco Holdings, Inc. and Equiniti Trust Company, LLC, as rights agent		8-K	N/A	4.1	8/9/2023	001-36556
10.1	Income Tax Receivable Agreement, dated July 30, 2014, between El Pollo Loco Holdings, Inc., and Trimaran Pollo Partners, L.L.C.		10-Q	9/24/2014	10.1	11/7/2014	001-36556
10.2	Franchise Development Agreement (Exclusive), dated August 20, 2014, between El Pollo Loco, Inc., as franchisor, and Anil Yadav and Atour Eyvazian, collectively, as developer		8-K	N/A	10.1	8/22/2014	001-36556
10.3	Consent to and Assignment of Development Rights (Initial Change of Entity), dated August 20, 2014, between El Pollo Loco, Inc., as franchisor, and (i) Anil Yadav and Atour Eyvazian, collectively, as		8-K	N/A	10.2	8/22/2014	001-36556

	assignor, and (ii) AA Pollo, Inc., as assignee					
10.4	Franchise Development Option Agreement, dated July 11, 2014, between El Pollo Loco, Inc., and Trimaran Pollo Partners, L.L.C.	S-1/A	N/A	10.14	7/14/2014	333-197001
10.5	Stockholders Agreement, dated as of November 18, 2005, by and among El Pollo Loco Holdings, Inc. (formerly Chicken Acquisition Corp.) and the stockholders listed therein	S-1	N/A	10.3	6/24/2014	333-197001
10.6	Amendment No. 1 to Stockholders Agreement, dated as of April 20, 2006, by and between El Pollo Loco Holdings, Inc. (formerly Chicken Acquisition Corp.) and Trimaran Pollo Partners, L.L.C.	S-1	N/A	10.4	6/24/2014	333-197001
10.7	Amendment No. 2 to Stockholders Agreement, dated as of December 26, 2007, by and between El Pollo Loco Holdings, Inc. (formerly Chicken Acquisition Corp.) and Trimaran Pollo Partners, L.L.C.	S-1	N/A	10.5	6/24/2014	333-197001
10.8	Second Amended and Restated Limited Liability Company Operating Agreement of Trimaran Pollo Partners, L.L.C., dated as of March 8, 2006	S-1	N/A	10.6	6/24/2014	333-197001
10.9	Amendment No. 1 to Second Amended and Restated Limited Liability Company Operating Agreement of Trimaran Pollo Partners, L.L.C., dated as of December 26, 2007	S-1	N/A	10.7	6/24/2014	333-197001
10.10	Amendment No. 2 to Second Amended and Restated Limited Liability Company Operating Agreement of Trimaran Pollo Partners, L.L.C., dated as of January 30, 2008	S-1	N/A	10.8	6/24/2014	333-197001
10.11	Amendment No. 3 to Second Amended and Restated Limited Liability Company Operating Agreement of Trimaran Pollo Partners, L.L.C., dated as of July 14, 2011	S-1	N/A	10.9	6/24/2014	333-197001
10.12	Form of Franchise Agreement	S-1	N/A	10.12	6/24/2014	333-197001
10.13	Form of Franchise Development Agreement	S-1	N/A	10.13	6/24/2014	333-197001

10.14	Form of Franchise Agreement (2019)		10-K	12/25/2019	10.15	3/6/2020	001-36556
10.15	Form of Franchise Development Agreement (2019)		10-K	12/25/2019	10.16	3/6/2020	001-36556
10.16	Form of Franchise Agreement (2021)		10-K	N/A	10.17	3/11/2022	001-36556
10.17	Form of Franchise Development Agreement (2021)		10-K	N/A	10.18	3/11/2022	001-36556
10.18	Form of Franchise Agreement (2022)	X					
10.19	Form of Franchise Development Agreement (2022)	X					
10.20	Credit Agreement, dated as of July 27, 2022, among El Pollo Loco, Inc., as borrower, El Pollo Loco Holdings, Inc., as guarantor, the other guarantors party thereto, the lenders party thereto and Bank of America, as administrative agent, swingline lender and letter of credit issuer		8-K	N/A	10.1	8/2/2022	001-36556
10.21	Supplemental Agreement, dated as of August 31, 2022, by and among El Pollo Loco Holdings, Inc., FS Equity Partners V, L.P., and FS Affiliates V, L.P.		10-Q	N/A	10.4	11/4/2022	001-36556
10.22*	Form of Indemnification Agreement between El Pollo Loco Holdings, Inc. and each of its directors and executive officers		S-1/A	N/A	10.27	7/22/2014	333-197001
10.23*	2014 Omnibus Equity Incentive Plan		S-1/A	N/A	10.22	7/22/2014	333-197001
10.24*	Form of Option Award Agreement (Fair Market Value Options) under 2014 Omnibus Equity Incentive Plan		S-1/A	N/A	10.25	7/22/2014	333-197001
10.25*	Form of Non-Officer Director Restricted Share Agreement under 2014 Omnibus Equity Incentive Plan		S-1/A	N/A	10.26	7/22/2014	333-197001
10.26*	Form of Option Award Agreement (Fair Market Value Options) under 2014 Omnibus Equity Incentive Plan (Time Vesting Only)		10-Q	6/29/2016	10.27	8/5/2016	001-36556
10.27*	Form of Employee Restricted Share Agreement under 2014 Omnibus Equity Incentive Plan		10-Q	9/28/2016	10.28	11/4/2016	001-36556

10.28*	2018 Omnibus Equity Incentive Plan		S-8	N/A	4.3	8/6/2018	333-226621
10.29*	Form of Restricted Stock Agreement under 2018 Omnibus Equity Incentive Plan		10-K	12/25/2019	10.24	3/6/2020	001-36556
10.30*	Form of Restricted Stock Agreement under 2018 Omnibus Equity Incentive Plan (Non-Employee Directors)		10-K	12/25/2019	10.25	3/6/2020	001-36556
10.31*	Form of Restricted Stock Unit Agreement under 2018 Omnibus Equity Incentive Plan		10-K	12/25/2019	10.26	3/6/2020	001-36556
10.32*	Form of Stock Option Awards Agreement under 2018 Omnibus Equity Incentive Plan		10-K	12/25/2019	10.27	3/6/2020	001-36556
10.33*	El Pollo Loco Holdings, Inc. Equity Incentive Plan		8-K	N/A	10.1	6/14/2021	001-36556
10.34*	Form of Stock Option Awards Agreement under 2021 Equity Incentive Plan		10-K	N/A	10.31	3/11/2022	001-36556
10.35*	Form of Restricted Share Agreement under 2021 Equity Incentive Plan		10-K	N/A	10.32	3/11/2022	001-36556
10.36*	Form of Restricted Stock Agreement under 2021 Equity Incentive Plan (Non-Employee Directors)		10-K	N/A	10.33	3/11/2022	001-36556
10.37*	Form of Restricted Stock Agreement under 2023 Equity Incentive Plan (Non-Employee Directors)	X					
10.38*	Employment Agreement, dated March 9, 2022, between El Pollo Loco, Inc. and Laurance Roberts		10-K	3/9/2022	10.37	3/11/2022	001-36556
10.39*	Release and Consulting Agreement, dated November 1, 2023, between El Pollo Loco Holdings, Inc. and Laurance Roberts		8-K	N/A	10.2	11/2/2023	001-36556
10.40*	Employment Agreement, dated June 28, 2022, between El Pollo Loco Holdings, Inc. and Ira Fils		8-K	N/A	10.1	7/1/2022	001-36556
10.41*	Employment Agreement, dated November 1, 2023, between El Pollo Loco Holdings, Inc and Maria Hollandsworth		8-K	N/A	10.1	11/2/2023	001-36556
10.42*	Retention Award Agreement, dated November 2, 2023, between El Pollo Loco Holdings, Inc. and Ira Fils		8-K	N/A	10.3	11/2/2023	001-36556
10.43	Stock Repurchase Agreement, dated November 29, 2023, between El Pollo Loco		8-K	N/A	99.1	12/4/2023	001-36556

	Holdings, Inc., FS Equity Partners V, L.P. and FS Affiliates V, L.P.						
21.1	Subsidiaries of El Pollo Loco Holdings, Inc.		S-1	N/A	21.1	6/24/2014	333-197001
23.1	Consent of BDO USA, P.C.	X					
31.1	Certification of Chief Executive Officer under section 302 of the Sarbanes–Oxley Act of 2002	X					
31.2	Certification of Chief Financial Officer under section 302 of the Sarbanes–Oxley Act of 2002	X					
32.1	Certification of Chief Executive Officer and Chief Financial Officer under 18 U.S.C. section 1350, adopted by section 906 of the Sarbanes–Oxley Act of 2002	**					
97.1	El Pollo Loco Holdings, Inc. Clawback Policy	X					
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document	X					
101.SCH	XBRL Taxonomy Extension Schema Document	X					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X					
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document						

* This exhibit is a management contract or a compensatory plan or arrangement.
** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EL POLLO LOCO HOLDINGS, INC.

By: /s/ Maria Hollandsworth
Maria Hollandsworth
President, Interim Chief Executive Officer and Chief Operating Officer
Date: March 8, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Maria Hollandsworth Maria Hollandsworth	President and Interim Chief Executive Officer and Chief Operating Officer (principal executive officer)	March 8, 2024
/s/ Ira Fils Ira Fils	Chief Financial Officer (principal financial and accounting officer)	March 8, 2024
/s/ William R. Floyd William R. Floyd	Chairman and Director	March 8, 2024
/s/ Douglas J. Babb Douglas J. Babb	Director	March 8, 2024
/s/ Samuel N. Borgese Samuel N. Borgese	Director	March 8, 2024
/s/ Mark Buller Mark Buller	Director	March 8, 2024
/s/ Michael G. Maselli Michael G. Maselli	Director	March 8, 2024
/s/ Nancy Faginas-Cody Nancy Faginas-Cody	Director	March 8, 2024
/s/ Deborah Gonzalez Deborah Gonzalez	Director	March 8, 2024
/s/ Carol Lynton Carol Lynton	Director	March 8, 2024

DESCRIPTION OF CAPITAL STOCK OF EL POLLO LOCO HOLDINGS, INC.

References to "we," "us" and "our" refer to El Pollo Loco Holdings, Inc.

The following is a summary of the rights and preferences of our capital stock and preferred stock, related provisions of our certificate of incorporation and bylaws, and certain applicable provisions of Delaware law. While we believe that the following description covers the material terms of our capital stock, the description may not contain all of the information that is important to you. The following description is qualified by reference to our certificate of incorporation, our bylaws and the Certificate of Designations of our Series A Preferred Stock, which are filed as exhibits to our Annual Report on Form 10-K for the year ended December 27, 2023 filed with the Securities and Exchange Commission.

General

Our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share, and 100,000,000 shares of preferred stock, par value $0.01 per share. We have two classes of securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) common stock and (ii) Rights to Purchase Series A Preferred Stock. As of March 1, 2024, we had 31,282,820 shares of common stock outstanding, and no shares of preferred stock outstanding.

Common Stock

Under our certificate of incorporation, each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of stockholders. In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in all assets remaining after payment of liabilities and any amounts due to the holders of preferred stock. Holders of our common stock have no preemptive, conversion or subscription rights. No redemption or sinking fund provisions apply to our common stock. Holders of our common stock do not have the right of cumulative voting in elections of directors, which means that holders of a majority of the outstanding shares of our common stock can elect all of the directors standing for election at any annual meeting of stockholders.

Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of our common stock are entitled to receive ratably such dividends as may be declared from time to time by our board of directors out of legally available funds.

Preferred Stock

Our certificate of incorporation authorizes our board of directors, without stockholder approval, to issue up to 100,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions granted to or imposed upon each such series of preferred stock, including voting rights, dividend rights, conversion rights, terms of redemption, liquidation preference, sinking fund terms, subscription rights and the number of shares constituting any series or the designation of a series.

Our board of directors is able to issue, without stockholder approval, preferred stock with voting and conversion rights that could adversely affect the voting power of the holders of common stock and reduce the likelihood that such holders will receive dividend payments or payments upon liquidation. Such issuance could have the effect of decreasing the market price of the common stock.

Rights to Purchase Series A Preferred Stock

On August 8, 2023, our board of directors declared a dividend of one preferred share purchase right (a "Right") for each share of our common stock (the "Common Shares") outstanding on August 18, 2023 (the "Record Date") to the stockholders of record on that date. In connection with the distribution of the Rights, we entered into a

Rights Agreement (the "Rights Agreement"), dated as of August 8, 2023, between us and Equiniti Trust Company, LLC, as rights agent. Each Right entitles the registered holder to purchase from us one one-thousandth of a share of our Series A Preferred Stock, par value $0.01 per share (the "Preferred Shares"), at a price of $53.75 per one one-thousandth of a Preferred Share represented by a Right (the "Purchase Price"), subject to adjustment.

Distribution Date; Exercisability; Expiration

Initially, the Rights will be attached to all Common Share certificates and no separate certificates evidencing the Rights ("Right Certificates") will be issued. Until the Distribution Date (as defined below), the Rights will be transferred with and only with the Common Shares. As long as the Rights are attached to the Common Shares, we will issue one Right with each new Common Share so that all such Common Shares will have Rights attached.

The Rights will separate and begin trading separately from the Common Shares, and Right Certificates will be caused to evidence the Rights, on the earlier to occur of (i) the Close of Business (as such term is defined in the Rights Agreement) on the tenth day following a public announcement, or the public disclosure of facts indicating (or our board of directors becoming aware), that a Person (as such term is defined in the Rights Agreement) or group of affiliated or associated Persons has acquired Beneficial Ownership (as defined below) of 12.5% or more of the outstanding Common Shares (an "Acquiring Person") (or, in the event our board of directors determines to effect an exchange in accordance with Section 24 of the Rights Agreement and our board of directors determines that a later date is advisable, then such later date) or (ii) the Close of Business on the tenth Business Day (as such term is defined in the Rights Agreement) (or such later date as may be determined by action of our board of directors prior to such time as any Person becomes an Acquiring Person) following the commencement of a tender offer or exchange offer the consummation of which would result in the Beneficial Ownership by a Person or group of 12.5% or more of the outstanding Common Shares (the earlier of such dates, the "Distribution Date"). As soon as practicable after the Distribution Date, unless the Rights are recorded in book-entry or other uncertificated form, we will prepare and cause the Right Certificates to be sent to each record holder of Common Shares as of the Distribution Date.

An "Acquiring Person" will not include (i) us, (ii) any Subsidiary (as such term is defined in the Rights Agreement) of us, (iii) any employee benefit plan of us or of any Subsidiary of us, (iv) any entity holding Common Shares for or pursuant to the terms of any such employee benefit plan or (v) any Person who or which, together with all Affiliates and Associates (as such terms are defined in the Rights Agreement) of such Person, at the time of the first public announcement of the Rights Agreement, is a Beneficial Owner of 12.5% or more of the Common Shares then outstanding (a "Grandfathered Stockholder"). However, if a Grandfathered Stockholder becomes, after such time, the Beneficial Owner of any additional Common Shares (regardless of whether, thereafter or as a result thereof, there is an increase, decrease or no change in the percentage of Common Shares then outstanding Beneficially Owned (as such term is defined in the Rights Agreement) by such Grandfathered Stockholder) then such Grandfathered Stockholder shall be deemed to be an Acquiring Person unless, upon such acquisition of Beneficial Ownership of additional Common Shares, such person is not the Beneficial Owner of 12.5% or more of the Common Shares then outstanding. In addition, upon the first decrease of a Grandfathered Stockholder's Beneficial Ownership below 12.5%, such Grandfathered Stockholder will no longer be deemed to be a Grandfathered Stockholder. In the event that after the time of the first public announcement of the Rights Agreement, any agreement, arrangement or understanding pursuant to which any Grandfathered Stockholder is deemed to be the Beneficial Owner of Common Shares expires, is settled in whole or in part, terminates or no longer confers any benefit to or imposes any obligation on the Grandfathered Stockholder, any direct or indirect replacement, extension or substitution of such agreement, arrangement or understanding with respect to the same or different Common Shares that confers Beneficial Ownership of Common Shares shall be considered the acquisition of Beneficial Ownership of additional Common Shares by the Grandfathered Stockholder and render such Grandfathered Stockholder an Acquiring Person for purposes of the Rights Agreement unless, upon such acquisition of Beneficial Ownership of additional Common Shares, such person is not the Beneficial Owner of 12.5% or more of the Common Shares then outstanding.

"Beneficial Ownership" is defined in the Rights Agreement to include any securities (i) which a Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly, within the meaning of Rules 13d-3 or 13d-5 promulgated under the Securities Exchange Act of 1934, as amended, or has the right or ability to vote, or the right to acquire, pursuant to any agreement, arrangement or understanding (except under limited circumstances),

(ii) which are directly or indirectly Beneficially Owned by any other Person with which a Person has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of such securities, or cooperating in changing, obtaining or influencing control of us, or (iii) which are the subject of, or reference securities for, or that underlie, certain derivative positions of any Person or any of such Person's Affiliates or Associates.

The Rights are not exercisable until the Distribution Date. The Rights will expire on the Close of Business on August 7, 2024 (the "Final Expiration Date").

Exempt Persons and Transactions

Our board of directors may, in its sole and absolute discretion, determine that a Person is exempt from the Rights Agreement (an "Exempt Person"), so long as such determination is made prior to such time as such Person becomes an Acquiring Person. Any Person will cease to be an Exempt Person if our board of directors makes a contrary determination with respect to such Person regardless of the reason therefor. In addition, our board of directors may, in its sole and absolute discretion, exempt any transaction from triggering the Rights Agreement, so long as the determination in respect of such exemption is made prior to such time as any Person becomes an Acquiring Person.

Flip-in Event

If a Person or group becomes an Acquiring Person at any time after the date of the Rights Agreement (with certain limited exceptions), the Rights will become exercisable for Common Shares having a value equal to two times the exercise price of the Right. From and after the announcement that any Person has become an Acquiring Person, if the Rights evidenced by a Right Certificate are or were acquired or Beneficially Owned by an Acquiring Person or any Associate or Affiliate of an Acquiring Person, such Rights shall become void, and any holder of such Rights shall thereafter have no right to exercise such Rights. If our board of directors so elects, we may deliver upon payment of the exercise price of a Right an amount of cash, securities, or other property equivalent in value to the Common Shares issuable upon exercise of a Right.

Exchange

At any time after any Person becomes an Acquiring Person, our board of directors may exchange the Rights (other than Rights owned by any Person which have become void), in whole or in part, at an exchange ratio of one Common Share per Right (subject to adjustment). We may issue, transfer or deposit such Common Shares (or other property as permitted under the Rights Agreement) to or into a trust or other entity created upon such terms as our board of directors may determine and may direct that all holders of Rights receive such Common Shares or other property only from the trust. In the event our board of directors determines, before the Distribution Date, to effect an exchange, our board of directors may delay the occurrence of the Distribution Date to such time as it deems advisable.

Flip-over Event

If, at any time after a Person becomes an Acquiring Person, (i) we consolidate with, or merge with, any other Person (or any Person consolidates with, or merges with, us) and, in connection with such consolidation or merger, all or part of the Common Shares are or will be changed into or exchanged for stock or other securities of any other Person or cash or any other property; or (ii) 50% or more of our consolidated assets or Earning Power (as defined in the Rights Agreement) are sold, then proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

Redemption

At any time prior to the time any Person becomes an Acquiring Person, our board of directors may redeem the Rights in whole, but not in part, at a price of $0.001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as our board of directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Amendment

The terms of the Rights may be amended by our board of directors without the consent of the holders of the Rights, except that from and after such time as any Person becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights (other than the Acquiring Person and its Affiliates and Associates).

Preferred Stock Rights

Each one-thousandth of a Preferred Share will entitle the holder thereof to the same dividends and liquidation rights as if the holder held one Common Share and will be treated the same as a Common Share in the event of a merger, consolidation or other share exchange.

Rights of Holders

Until a Right is exercised, the holder thereof, as such, will have no rights as our stockholder, without limitation, the right to vote or to receive dividends.

Anti-Takeover Provisions of Delaware Law and Certain Charter and Bylaw Provisions

The following is a summary of certain provisions of the Delaware General Corporation Law (the "DGCL"), and our certificate of incorporation and bylaws that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Classified Board of Directors

Our certificate of incorporation provides for our board of directors to be divided into three classes of directors, as nearly equal in number as possible, serving staggered terms. Approximately one-third of our board of directors is to be elected each year. Under Section 141 of the DGCL, unless the certificate of incorporation provides otherwise, directors serving on a classified board can only be removed for cause. Our certificate of incorporation provides that our directors may only be removed for cause, by a majority of the voting power of the outstanding voting stock voting as a single class to remove the director at an annual or special meeting. The provision for our classified board of directors may be amended, altered or repealed only upon the affirmative vote of the holders of a majority of our outstanding voting stock.

Number of Directors; Vacancies

Our certificate of incorporation provides that the number of directors on our board of directors is to be fixed exclusively pursuant to resolution adopted by our board of directors. The exact number of members on our board of directors is to be determined from time to time by resolution of a majority of our full board of directors.

Pursuant to our certificate of incorporation, each director is to serve until his or her successor is duly elected and qualified, unless he or she resigns, dies, becomes disqualified or is removed. Our certificate of incorporation further provides that, generally, vacancies or newly created directorships in our board of directors may only be filled by a resolution approved by a majority of our board of directors and any director so chosen will hold office until the next election of the class for which such director was chosen.

Stockholder Meetings

Our certificate of incorporation prohibits our stockholders from calling special meetings, which may be called only (i) by the Chairman of our board of directors, (ii) by our Chief Executive Officer (or, in the absence of a Chief Executive Officer, our President) or (iii) pursuant to a resolution duly adopted by a majority of our board of directors.

Action by Stockholders Without a Meeting

The DGCL permits stockholder action by written consent unless otherwise provided by a corporation's certificate of incorporation. Our certificate of incorporation prohibits stockholder action by written consent.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting in the election of directors.

Stockholder Proposals and Nominations

Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders or to nominate candidates for election as directors at an annual meeting of stockholders must provide timely notice of such proposed business in writing. To be timely, a stockholder's notice generally must be delivered to or mailed and received at our principal executive office not less than 90 days or more than 120 days prior to the first anniversary of the preceding year's annual meeting.

Our bylaws also provide certain requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders. A stockholder's notice must set forth, among other things, as to each business matter or nomination the stockholder proposes to bring before the meeting:

- the name and address of the stockholder and the beneficial owner, if any, on whose behalf the proposal or nomination is made;
- the class and number of shares that are owned of record and beneficially by the stockholder proposing the business or nominating the nominee;
- a representation that the stockholder giving the notice is a holder of record of shares of our voting stock entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to propose the business or nominate the person or persons specified in the notice, as applicable; and
- whether such stockholder or beneficial owner intends to deliver a proxy statement and forms of proxy to holders of at least the percentage of shares of our voting stock required to approve such proposal or nominate such nominee or nominees.

If the stockholder is nominating a candidate for director, the stockholder's notice must also include the name, age, business address, residence address and occupation of the nominee proposed by the stockholder and the signed consent of the nominee to serve as a director on our board of directors if so elected. The candidate may also be required to present certain information and make certain representations and agreements at our request.

In addition, a stockholder must also comply with all applicable requirements of the Exchange Act and the rules and regulations under the Exchange Act with respect to matters relating to nomination of candidates for directors.

Supermajority provisions

The DGCL generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless the corporation's certificate of incorporation or bylaws require a greater percentage. Our amended and restated certificate of incorporation and bylaws require that the affirmative votes of holders of at least 75% of the total votes eligible to be cast in the election of directors are required to amend, alter, change or repeal specified provisions of our amended and restated certificate of incorporation, including:

- classified board of directors (the election and term of our directors);
- the provisions regarding director liability;
- the provisions regarding director and officer indemnification;
- the provisions regarding competition and corporate opportunities;
- the provisions regarding entering into business combinations with interested stockholders;
- the provisions regarding stockholder action by written consent;
- the provisions regarding calling special meetings of stockholders;
- filling vacancies on our board of directors;
- the advance notice requirements for stockholder proposals and director nominations; and
- the amendment provision requiring that the above provisions be amended only with a 75% supermajority vote.

This requirement of a supermajority vote to approve amendments to our amended and restated certificate of incorporation and bylaws could enable a minority of our stockholders to exercise veto power over any such amendments.

Delaware Anti-Takeover Statute

Section 203 of the DGCL, subject to certain exceptions, prohibits a publicly-held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such person or entity became an interested stockholder, unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding specified shares; or
- at or subsequent to such date of the transaction that resulted in a person or entity becoming an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines an "interested stockholder" as any person that is:

- owner of 15% or more of the outstanding voting stock of the corporation;

- an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the relevant date; or

- an affiliate or associate of the above.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting stock. We have opted out of these provisions. However, pursuant to our certificate of incorporation, when Trimaran Pollo Partners, L.L.C. ceased to beneficially own more than 15% of our common stock, we automatically became subject to Section 203 of the DGCL.

Limitations on Liability and Indemnification of Directors and Officers

Section 145 of the DGCL provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such person as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal.

A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses that such officer or director has actually and reasonably incurred. Our certificate of incorporation provides for the indemnification of our directors and officers to the fullest extent permitted under the DGCL.

Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by us upon delivery to us of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by us.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director or officer of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director or officer, except that such provision shall not eliminate or limit the liability of:

- a director or officer for any breach of the director's or officer's duty of loyalty to the corporation or its stockholders;

- a director or officer for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- a director under Section 174 of the DGCL;

- a director or officer for any transaction from which the director or officer derived an improper personal benefit; or
- an officer in any action by or in the right of the corporation.

Our certificate of incorporation includes such a provision with respect to directors only.

Section 174 of the DGCL provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

Indemnification Agreements

We have entered into indemnification agreements with each of our current directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

Transfer Agent

The registrar and transfer agent for our common stock is American Stock Transfer & Trust Company, LLC.

Listing

Our common stock trades on The Nasdaq Stock Market LLC under the symbol “LOCO.”

EL POLLO LOCO® FRANCHISE AGREEMENT

Dated: _____

Location:
Franchisee:
Franchisee Notice Address:
Franchisee Notice Facsimile Number:

(Disclosure Document Control No. 032922)

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EXHIBITS AND SCHEDULES:

EL POLLO LOCO® FRANCHISE AGREEMENT

This Franchise Agreement ("**Agreement**"), dated for identification purposes only as of ____, 20__, is made and entered into by and between **El Pollo Loco, Inc**., a Delaware corporation (the "**Franchisor**"), and_____, a_____ ("**Franchisee**" or "**you**").

A. Franchisor operates and franchises others to operate a number of retail outlets for the sale of fire-grilled food items and related products, in connection with the "**El Pollo Loco**" name and Franchisor's distinctive plan of food service operation (each, an "**EPL Restaurant**").

B. Franchisee desires to operate a restaurant under Franchisor's name and to utilize Franchisor's plan of food service operation, all in accordance with the terms, covenants and conditions of this Agreement.

C. Franchisee understands that the success of the business contemplated by this Agreement is subject to substantial risks and depends in large part on the business ability of Franchisee and its active participation in the development and management of the franchise business.

D. Franchisor and Franchisee (as Developer) entered into a Development Agreement dated _____ ("**Development Agreement**") for the Territory set forth on Exhibit A of the Development Agreement, and for restaurants to be developed per the Development Schedule set forth on Exhibit B of the Development Agreement.

1. SCOPE AND PURPOSE OF AGREEMENT

1.1. Franchisee desires and agrees to operate and manage an "**El Pollo Loco**" restaurant to be located at _____ City of_____ , County of _____, State of _____ (the "**Location**"). Franchisor owns certain proprietary and other property rights and interests in and to the "El Pollo Loco" trademark and service mark, and such other trademarks, service marks, logo types, insignias, trade dress designs and commercial symbols as Franchisor may from time to time authorize or direct Franchisee to use in connection with the operation of a EPL Restaurant (the "**El Pollo Loco® Marks**"). Franchisor has a distinctive plan for the operation of retail outlets for the sale of fire-grilled food items and related products, which plan includes but is not limited to the El Pollo Loco® Marks and the El Pollo Loco® Operations Manual (the "**Manual**"), policies, standards, procedures, recipes, employee uniforms, signs (including traditional or digital menu boards) and related items, and the reputation and goodwill of Franchisor's chain of restaurants (collectively, the "**El Pollo Loco® System**") which may be periodically modified from time to time, and as provided in this Agreement. Therefore, in entering into this Agreement, Franchisee fully understands and agrees that this Agreement is conditioned upon the continued strict adherence by Franchisee to, and Franchisee agrees to comply with, all standards, policies, procedures and requirements published or which may from time to time be published or otherwise brought to Franchisee's attention by

Franchisor for the operation, maintenance or improvement of EPL Restaurants under the El Pollo Loco® System and the El Pollo Loco® Marks. Franchisee understands and agrees that strict adherence to these standards, policies, procedures and requirements is essential to the value of the El Pollo Loco® System and the El Pollo Loco® Marks.

1.2. Franchisee represents that it is experienced in and has independent knowledge of the nature and specifics of the restaurant business. Franchisee understands that there is not, nor can there be, any assurance or guarantee of success in the franchise business and that Franchisee's business ability and attitude are primary in determining Franchisee's success. Franchisee represents that, in entering into this Agreement, it has relied solely on its personal knowledge and understanding and has not relied on any representation of Franchisor or any of its officers, directors, employees or agents, except those representations contained in any legally required Franchise Disclosure Document delivered to Franchisee.

a. In consideration of the foregoing representations and agreements of Franchisee and other consideration as set forth herein, and subject to all of the terms, covenants and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts from Franchisor, the right and franchise to operate one (1) EPL Restaurant under the El Pollo Loco® Marks and in accordance with the El Pollo Loco® System (the "**Restaurant**") at the Location.

1.3. Except as otherwise provided in this Agreement, after the date of this Agreement and during the term of this Agreement, and so long as Franchisee is in compliance with its obligations under this Agreement, Franchisor shall not, without Franchisee's prior written consent, establish or franchise any other person to establish, a standalone or traditional inline El Pollo Loco restaurant at any location within the "**Protected Area**" of one-half (0.5) mile radiating from your Restaurant. No Protected Area exists with respect to "**Ghost kitchens**" which we define as a professional food preparation and cooking facility set up for the preparation of delivery-only meals whether or not the facility produces menu items for multiple brands or just for EPL Restaurants. Additionally, no Protected Area exists for EPL Restaurants located in "**Non-Traditional Venues**," which we define as any of the following types of venues: regional shopping malls, airports, mass transit stations, professional sports stadiums and arenas, hotels and other types of lodging facilities, military bases, entertainment centers, amusement parks, casinos, universities and other types of schools, hospitals and other types of health care institutions, and similar types of captive market locations that we may designate. We will determine and designate those shopping malls that in our judgment qualify as a regional shopping mall based on the size of the shopping complex, number of anchor tenants, existence of dedicated parking space, existence of unrelated merchandisers, and prevailing consumer and industry perceptions. Franchisor and Franchisee retain all other rights and obligations in this Agreement including Franchisor's absolute right to establish or franchise any other person to establish and operate El Pollo Loco restaurants at any location outside the Protected Territory. Franchisor expressly retains all other rights and

may, among other things, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any right therein:

a. Merchandise and distribute goods and services identified by the El Pollo Loco® Marks (including the same or similar products as sold by Franchisee at the Restaurant) to customers at any retail location, regardless of its proximity to the Location, through any method or channel of distribution, including, without limitation, at retail locations such as grocery or convenience stores and via the Internet, telemarketing, and direct marketing means, or through other non-El Pollo Loco restaurants having the same or similar menu items or through any other distribution channel; and

b. Establish and operate and franchise other restaurants (not using the Marks) having the same or similar menu items, whether within or outside of the Protected Area.

1.4. It is expressly understood and agreed by the parties that Franchisee is and shall be an independent contractor, that Franchisee is not for any purpose an employee or agent of Franchisor, and that all of the personnel employed by Franchisee at the Restaurant will be employees or agents of Franchisee as an independent contractor and will not be employees or agents of Franchisor. Franchisee understands and agrees that, as an independent contractor, it does not have the authority to do anything for or on behalf of Franchisor including, but not limited to, holding itself out as Franchisor; signing contracts, notes or other instruments; purchasing, acquiring or disposing of any property; or incurring any other obligation or liability. It is further understood and agreed by the parties hereto that no fiduciary relationship is intended or created by this Agreement.

2. THE EL POLLO LOCO® MARKS & SYSTEM

2.1. Upon the terms, covenants and conditions contained herein and during the term hereof, Franchisee shall have the right to display and use the El Pollo Loco® Marks, but only for use in connection with retail sales and service of certain food products which Franchisee is required to prepare and sell to the general public in and at the Restaurant.

2.2. Nothing contained herein shall be construed as authorizing or permitting Franchisee to use the El Pollo Loco® Marks or the El Pollo Loco® System at any location other than the Location or for any purpose or in any manner other than that authorized herein; or in connection with the sale of any products for resale, or any products not required or approved by Franchisor, or any products prepared at any place other than at the Location; provided, however, that catering and special event sales may be undertaken by Franchisee in strict adherence with the limitations and procedures set forth in the Manual. Notwithstanding anything to the contrary contained herein, Franchisor may require Franchisee to discontinue the preparation, offer or sale of any product or item which, in the opinion of Franchisor or any of its representatives, does not conform to the quality standards or image of Franchisor and its products.

2.3. Nothing contained herein shall give Franchisee any right, title or interest in or to any of the El Pollo Loco® Marks excepting only the privilege and license, during the term hereof, to display and use the same according to the foregoing limitations. Any and all goodwill arising in connection with Franchisee's use of the El Pollo Loco® Marks and the El Pollo Loco® System shall belong to Franchisor.

2.4. The business franchised hereunder shall be named "**El Pollo Loco**" without any suffix or prefix attached thereto. Franchisee shall use signs (including traditional or digital menu boards) ("**Signs**") and other advertising which denote that the Restaurant is named "**El Pollo Loco**" and which are approved by Franchisor in advance. If Franchisee is an entity or if Agreement is transferred to an entity, the name of such entity shall not contain any of the El Pollo Loco® Marks.

2.5. Except as Franchisor may otherwise permit in writing, Franchisee shall not display or use the trademark, trade name, service mark, logo types, label, design or other identifying symbol or name of any other person, or entity in, on or at the Restaurant or the Location.

2.6. In all public records, in Franchisee's relationship with other persons or companies, and in any offering document, prospectus or similar document, Franchisee shall indicate clearly that Franchisee's business is independently owned and that the operations of said business are separate and distinct from the operation of Franchisor's business. Franchisee shall display at the Restaurant, in such locations as may be specified by Franchisor and in all correspondence and forms, a notification that the Restaurant is operated by an independent operator and not by Franchisor.

2.7. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, domain name, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or in part, the El Pollo Loco® Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time.

Franchisor is the owner of, and will retain all right, title and interest in and to the domain names "**elpolloloco**" and "**crazychicken**;" the URLs and/or websites: www.elpolloloco.com, www.elpolloloco.net, www.elpolloloco.org, www.myepl.net, www.crazychicken.com, www.eplmarketing.com, www.eplportal.com, www.eplfranchisee.com, and www.orderelpolloloco.com; all existing and future domain names, URLs, websites, future addresses and subaddresses using the El Pollo Loco® Marks in any manner; all software; all content prepared for, or used on, the above Websites; and all intellectual property rights in and to any of them.

2.8. Franchisor reserves all rights to use the El Pollo Loco ® Marks in any manner.

3. TERM

3.1. The term of this Agreement shall commence on the date Franchisee first opens the Restaurant to the public (the "**Opening Date**") and shall end on the date which is the 20th anniversary of the Opening Date, unless sooner terminated as provided herein ("**Initial Term**"). Should Franchisee lease the site of the Restaurant, the lease or sublease must be for a term which with renewal options is not less than the Initial Term of the Franchise Agreement, and contain the provisions required in Section 2 of the Development Agreement. Should Franchisee be unable to lease the site of the Restaurant for a term equal to the Initial Term, then as our sole and absolute right to determine, the Initial Term of the Franchise Agreement may be reduced to match the term of the lease or sublease and the initial franchise fee will be appropriately pro-rated. Promptly following the Opening Date, the parties shall execute a Memorandum of Opening Date attached as **Exhibit 1** which shall confirm the Opening Date; provided, however, if the parties fail to execute such Memorandum of Opening Date, the Opening Date shall be as determined in good faith by Franchisor. Upon the expiration or earlier termination of this Agreement, Franchisee shall have no right or option to extend the term of this Agreement. The sole conditions under which Franchisee will have the opportunity to obtain a successor Franchise Agreement upon the expiration of the term of this Agreement are set forth at Section 20.

4. SITE DEVELOPMENT

4.1. After execution of this Agreement, Franchisee will be required to achieve certain milestones to assure the timely development of the Restaurant

a. Within six (6) months following the date of Franchisor's execution of this Agreement, Franchisee must have completed all of the site development work (including, but not limited to, engineering, architectural/design, entitlements, and permitting) and commence construction of the Restaurant.

b. Within twelve (12) months following the date of Franchisor's execution of this Agreement, or the date specified in the Development Agreement, if earlier, Franchisee must have completed construction of the Restaurant at the Location and the Restaurant shall be open to the public.

4.2. Franchisee understands and acknowledges that in accepting Franchisee's Location, or by granting a franchise for a Location (whether or not formerly operated as a Franchisor or franchisee-owned Restaurant), Franchisor does not in any way endorse, warrant or guarantee either directly or indirectly the suitability of such Location or the success of the franchise business to be operated by Franchisee at such Location. The suitability of the Location and the success of the franchise business depends upon a number of factors outside of Franchisor's control including, but not limited to, Franchisee's

operational abilities, site location, consumer trends and such other factors that are within the direct control of Franchisee. Franchisor may require, as a condition to its approval of a site, a "**Market Study**", which shall include a site description and analysis, traffic and other demographic information and an analysis of the impact of the proposed site on other franchise restaurants surrounding or within the vicinity of such proposed site all in such format as the Franchisor may require. All such analyses, information and studies shall be prepared at the sole cost and expense of Franchisee.

4.3. If Franchisee purchases a currently operating Restaurant from Franchisor (a "**Turnkey Restaurant**"), then Franchisee shall begin operation of the Restaurant on the date possession of the Restaurant is transferred to Franchisee pursuant to the agreement entered into between Franchisee and Franchisor for the purchase of the Restaurant. Failure to do so shall constitute a material default hereunder. With respect to non-Turnkey Restaurants, failure to reach each milestone described in Section 4.1 above within the specified time frames shall constitute a material default hereunder. Prior to opening the Restaurant, Franchisee shall obtain and thereafter maintain throughout the term of this Agreement all necessary business licenses, permits and other documentation necessary for the operation of an El Pollo Loco® restaurant.

5. IMPROVEMENTS, FIXTURES AND EQUIPMENT

5.1. If the Location is other than a Turnkey Restaurant, then this Section 5 will apply to the building, reconstruction, remodeling, or other changes necessary to conform the Location to the requirements set forth in this Section or as provided and updated by Franchisor from time to time in accordance with this Section.

5.2. Franchisee, at its sole expense, shall construct or, in the case of an existing building, remodel the Location and install such Signs, fixtures, furniture and equipment at the Location as are required in accordance with Franchisor's current requirements and specifications for same. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations. Franchisee shall obtain from applicable governmental authorities all permits, licenses and certifications required for lawful construction or remodeling work and for the operation of the Restaurant. If requested by Franchisor, Franchisee shall submit to Franchisor a copy of all such required permits, licenses and certifications for the construction or remodeling work prior to commencing the construction or remodeling of the Location.

5.3. Franchisor shall provide Franchisee with standard plans and a sample layout for a typical El Pollo Loco® restaurant and a set of typical construction, equipment and decor specifications (the "**Plans**"). At all times, Franchisee shall use its best efforts to treat and keep the Plans and the information contained therein as confidential as possible and limit access to the Plans to employees and independent contractors of Franchisee on a need to know basis only (including preferred development professionals). Franchisee acknowledges that the unauthorized use or disclosure of Franchisor's Plans and the confidential information contained therein will cause

irreparable injury to Franchisor and that damages are not an adequate remedy. Franchisee accordingly covenants that without Franchisor's prior written consent, Franchisee shall not disclose (except to such employees, agents, contractors or subcontractors who must have access to such Plans in order to construct the Restaurant at the Location) or use or permit the use of such Plans (except as may be required by applicable law or authorized by this Agreement), or copy, duplicate, record or otherwise reproduce such Plans, in whole or in part, or otherwise make the same available to any person or source not authorized in writing by Franchisor to receive such Plans or the information contained therein at any time during the term of this Agreement or thereafter.

5.4. Franchisee, at its sole expense, shall employ licensed architects, designers, engineers, development consultants or others as may be necessary to complete, substitute, adapt or modify the Plans for the Restaurant so as to create a set of final plans and specifications. Creating a set of final plans and specifications may include, but is not limited to, adapting plans for structural engineering, architectural requirements, interior and exterior materials, locally available building materials, local weather requirements and federal, state and local code requirements. In some cases, these can lead to substantial changes and costs in the provided plans. FRANCHISEE SHALL SUBMIT TO FRANCHISOR A COMPLETE SET OF FINAL PLANS AND SPECIFICATIONS, INCLUDING A SITE PLAN, AND OBTAIN FRANCHISOR'S WRITTEN APPROVAL OF SUCH PLANS AND SPECIFICATIONS PRIOR TO COMMENCING THE CONSTRUCTION OF THE RESTAURANT OR, IN THE CASE OF AN EXISTING BUILDING, THE REMODELING WORK FOR THE RESTAURANT. Franchisor shall review such final plans and specifications promptly and approve or disapprove the same, and Franchisor may provide comments on the plans and specifications to Franchisee. Such review and approval by Franchisor will be limited to items and issues relating to the El Pollo Loco® System only and is not intended to be a verification or approval of the structure of the building, mechanical systems or document accuracy. Examples of conceptual areas related to the El Pollo Loco® System include Signs, logos, finishes, decor and aesthetics, guest comfort, and ability to serve food within Franchisor's standards for quality, timeliness and cleanliness.

5.5. Franchisee shall use a qualified licensed general contractor to perform the construction or remodeling work at the Restaurant. Franchisees general contractor shall provide a schedule to Franchisor before the start of construction. Franchisor shall not be responsible for delays in the construction, equipping or decoration of the Restaurant or for any loss resulting from the Restaurant design or construction. All changes in the Restaurant plans relating to the El Pollo Loco® System, as described in Section 5.4 above, to the construction or remodeling of the Restaurant or the implementation of such changes are subject to Franchisor's prior written approval. FRANCHISEE SHALL PROVIDE WRITTEN NOTICE TO FRANCHISOR OF THE DATE UPON WHICH CONSTRUCTION OF THE RESTAURANT COMMENCED WITHIN SEVEN (7) DAYS AFTER COMMENCEMENT AND THEREAFTER SHALL PROVIDE TO FRANCHISOR MONTHLY PROGRESS REPORTS OF THE STATUS OF THE CONSTRUCTION WORK SIGNED BY FRANCHISEE'S ARCHITECT OR GENERAL CONTRACTOR. Franchisee's failure to commence the design, construction or remodeling, equipping and

opening of the Restaurant promptly and with due diligence shall be grounds for the termination of this Agreement. Franchisor shall make a final inspection of the completed Restaurant and Location and may require such corrections and modifications as it deems necessary to bring the Restaurant and the Location into compliance with approved final plans and specifications. FRANCHISEE SHALL NOTIFY FRANCHISOR OF THE DATE OF COMPLETION OF CONSTRUCTION AND, WITHIN A REASONABLE TIME THEREAFTER, FRANCHISOR SHALL CONDUCT THE FINAL INSPECTION OF THE RESTAURANT AND ITS PREMISES. Franchisee acknowledges and agrees that Franchisee shall not open the Restaurant for business without the express written authorization of Franchisor and that Franchisor's authorization to open shall be conditioned upon Franchisee's furnishing to Franchisor:

a. A letter from the general contractor responsible for the construction or remodeling of the Restaurant indicating that the Restaurant has been constructed or remodeled in substantial conformance with the approved final plans and specifications, including any changes thereto approved by Franchisor, and in accordance with all applicable state and local governmental laws, statutes and ordinances regulating such construction including, without limitation, building, fire, health and safety codes; and

b. A temporary or final Certificate of Occupancy issued by the applicable local governmental entity.

5.6. Franchisee shall, at its sole expense, purchase all required Signs, fixtures, furniture and equipment for the Restaurant and Location from a distributor listed on the Approved Brands and Distributors List (as defined below) or another distributor approved pursuant to Section 11.4. The items purchased shall be installed in strict accordance with the specifications of Franchisor and erected and displayed in the manner and at such locations as are approved and authorized by Franchisor in writing. Franchisee shall maintain and display Signs which reflect the current image of El Pollo Loco® restaurants and shall not place additional Signs at the Restaurant without the prior written consent of Franchisor. Franchisee shall discontinue the use of and remove, or modify, as applicable, such Signs that are declared obsolete by Franchisor within thirty (30) days after Franchisee's receipt of Franchisor's written request, subject to reasonable extension if Franchisee is unable after using reasonable diligence to obtain required governmental approvals for modification of such Signs. Proper signage is fundamental to the El Pollo Loco® System and Franchisee hereby grants to Franchisor the right to enter the Location, including the Restaurant and any nearby areas where Signs are displayed, in order to remove and de-identify any unapproved or obsolete Signs in the event Franchisee has failed to do so within the above-specified time frame.

5.7. Franchisee is solely responsible for the acts or omissions of its contractors regarding compliance with all of the provisions of this Section 5, and Franchisor shall have no responsibility for such acts or omissions. Franchisor shall not be liable for any loss or damage arising from the design or plan of the Restaurant by reason of its approval of plans and specifications, or otherwise. Franchisee shall indemnify Franchisor for any loss, cost or expense, including attorneys' fees, that may be sustained by Franchisor

because of the acts or omissions of Franchisee's contractors or arising out of the design, construction or remodeling of the Restaurant, except to the extent that any such loss, cost or expense arises as a result of the grossly negligent acts or omissions of Franchisor, its employees and/or agents.

5.8. Franchisee shall give to Franchisor at least thirty (30) days prior written notice of the anticipated Opening Date. Franchisee shall not open the Restaurant to the public until it has received written approval from Franchisor to open. If Franchisee did not deliver to Franchisor a final Certificate of Occupancy prior to the Opening Date, Franchisee shall deliver to Franchisor a copy of an unconditional final Certificate of Occupancy issued by the applicable local governmental entity no later than ninety (90) days following the Opening Date.

6. FEES, TAXES AND OTHER CHARGES

6.1. Franchisee shall pay to Franchisor during the term of this Agreement the following:

a. An initial franchise fee of Forty Thousand Dollars ($40,000.00), in full within 30 days of delivery of execution copies of this Agreement to Franchisee; provided, however, if the Restaurant is a Turnkey Restaurant the initial franchise fee shall be payable upon execution of this Agreement. As our sole and absolute right to determine, you may be offered an Initial Term of less than 20 years and as such, the initial franchise fee will be appropriately pro-rated. All such payments shall be made by cashier's check or other form of payment acceptable to Franchisor. Franchisee hereby acknowledges and agrees that the grant of this franchise constitutes the sole and only consideration for the payment of the initial franchise fee and the initial franchise fee shall be fully earned by Franchisor upon execution of this Agreement. In that regard, upon the payment of any portion of the initial franchise fee, the entire initial franchise fee shall be deemed fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise to others.

b. A monthly royalty fee equal to five percent (5%) of Franchisee's immediately prior month's Net Sales (as defined in Section 7.1).

c. A monthly advertising fee, which shall be used in accordance with Section 8, for advertising, public relations and promotion and for the creation and development of advertising, public relations and promotional campaigns ("**Advertising Fee**"), in the amount of: (i) five percent (5%) of Franchisee's immediately prior month's Net Sales, as defined in Section 7.1 if the Restaurant is located outside of the Los Angeles ("**LA**") Designated Market Area ("**DMA**") or (ii) four percent (4%) of Franchisee's immediately prior month's Net Sales, as defined in Section 7.1 if the Restaurant is located within the LA DMA. If the Restaurant is located within the LA DMA, the Advertising Fee may be increased, as our sole and absolute right to determine, to not more than one percent (1%) above your original Advertising Fee during the Initial Term of your Franchise

Agreement and upon 90 days written notice to you. Some existing franchisees may pay a lower Advertising Fee. Restaurants owned and operated by us will contribute on the same basis as those existing franchisees within the same DMA. Franchisor also reserves the right to increase the Advertising Fee in the future by a voting mechanism. Except as otherwise provided in existing franchise agreements, each operating restaurant (both company-owned and franchised restaurants) located in the geographical area that would be affected by such an increase in the Advertising Fee shall be entitled to one vote. Franchisor must gain an approval vote of fifty-one percent (51%) of all such operating restaurants within the applicable geographical area. The minimum geographical area that would be affected by such an increase would be no smaller than a local DMA, although, multiple local DMAs may be involved.

d. The amount of all sales taxes, use taxes and similar taxes imposed upon or required to be collected or paid by Franchisor on account of goods or services furnished to Franchisee by Franchisor, whether such goods or services are furnished by sale, lease or otherwise. Franchisee shall reimburse Franchisor for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee.

e. Monthly "**POP Fees**" for in-restaurant and drive-thru point-of-purchase materials.

f. Monthly "**Gift Card Discount Fees**" associated with the sale of gift cards (charged to the restaurant that redeemed the gift cards and earned the sales revenue)

g. Franchisee's pro-rata share of costs for the Customer Feedback Program(s) ("**Customer Feedback Costs**").

h. "**Re-inspection Fees**" per re-inspection of Franchisee's Restaurant (required if a deficiency or unsatisfactory condition is noted and a subsequent re-inspection is necessary to determine if the deficiency or unsatisfactory condition has been cured) and "**Coaching Fees**" (required if coaching sessions are required as determined by Franchisor in our sole and absolute right in certain circumstances).

i. A surcharge for each case of chicken (Whole Birds and Saddles) ordered by franchise and company operators as contributions to the obsolete inventory fund (the "**Obsolete Inventory Fund**") used to pay for pertinent, unsold inventory of qualified suppliers at the conclusion of limited time promotions and to expedite the delivery of products for situations in which sales exceed prior forecasts. We periodically review the added cost per case and as our sole and absolute right, determine whether to increase or decrease the cost per case.

6.2. Franchisee shall pay interest to Franchisor on any amounts which may become due to Franchisor from Franchisee, if such are not paid when due, at the rate of

fifteen percent (15%) per annum (pro-rated) or the maximum interest rate permitted by law, whichever is less.

7. FINANCIAL REPORTING, BILLING AND PAYMENT

7.1. The term "**Net Sales**" as used in this Agreement shall mean the total revenues derived by Franchisee in and from the Restaurant from all sales of food, goods, wares, merchandise and all services, rights, and anything else of value, made in, upon, or from the Restaurant, whether for cash, check, credit or otherwise, without reserve or deduction for inability or failure to collect the same, including, without limitation, all revenues derived from delivery, curbside pickup orders, catering, and special event sales, such sales and services where the orders therefor originate at and are accepted by Franchisee into the Restaurant but delivery or performance thereof is made from or at any other place, or other similar orders are received or billed at or from the Restaurant, and any sums or receipts derived from the sale of meals to employees of the Restaurant. Net Sales is calculated after any rebates, discounts, coupons or refunds to customers, any employee meal discounts; any Loyalty Reward points or discounts. Net Sales do not include any sales taxes or other similar taxes that Franchisee collects from customers and pay to any federal, state or local taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "Net Sales" as circumstances, business practices, and technology change.

7.2. Franchisee shall deliver to Franchisor on or before the sixth (6th) calendar day after each close of the sales month, a monthly Net Sales statement ("**Monthly T-Sheet**"), in the form specified by Franchisor, setting forth the amount of Net Sales for the preceding month and a calculation of the monthly fees payable on such sales. Monthly fees, such as Royalty Fees and Advertising Fees, in addition to other fees such as POP Fees, Gift Card Discount Fees, Customer Feedback Costs, Re-Inspection Fees and Coaching Fees (hereinafter collectively will be referred to as "**Fees**") shall be due and payable on the tenth (10^{th}) day after the close of the sales month, which closing shall be designated by El Pollo Loco® as its sole and absolute right upon ten (10) days advance written notice to Franchisee ("**Sales Month Closing**"). Franchisee shall make all payments due hereunder by pre-arranged draft or sweep of Franchisee's business bank operating account ("**ACH**"). Franchisee will give Franchisor authorization in the format set forth in the Authorization Agreement for Prearranged Payments, **Exhibit 4** attached hereto for direct debits from Franchisee's business bank operating account (the "**Operating Account**"). Franchisee acknowledges it is Franchisee's responsibility to notify Franchisor of any changes to the bank operating account in a timely fashion. Franchisor may choose, as its sole and absolute right, to accept other forms of payment including check, cashier's check and Electronic Funds Transfer ("**EFT**"). Franchisee will contribute to the Obsolete Inventory Fund as described above. Contributions are payable to the vendor at the time of inventory purchase.

7.3. If Franchisee is delinquent in any payment of such Fees, or if Franchisee has not submitted the Monthly T-Sheet for more than a two-month period when due,

Franchisor may, as its sole and absolute right initiate an ACH or/and EFT transfer from the Operating Account an estimated amount of Fees due Franchisor for such period which shall be based on the average of the immediately preceding three (3) months' Net Sales. If, at any time, Franchisor determines that Franchisee has under-reported the monthly Net Sales of the Restaurant, or underpaid the monthly Royalty Fees, Advertising Fees, or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor may, in addition to exercising all other rights and remedies available to it under this Agreement, initiate an immediate transfer from the Operating Account in the amount equal to the unpaid Fees in accordance with the foregoing procedure, including interest as provided in Section 6.2 above. Any overpayment of Fees will be credited to the Operating Account effective as of the first due date after Franchisor and Franchisee determine that such credit is due.

7.4. In connection with payment of the monthly Fees by ACH or EFT, Franchisee shall: (1) comply with procedures specified by Franchisor relating to ACH or EFT transfers; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by ACH or EFT as described in Section 7.2 and 7.4; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Operating Account for payments of the monthly Royalty Fees and Advertising Fees, or other amounts due to Franchisor under this Agreement, or any other agreement, including any interest charges; and (4) make sufficient funds available in the Operating Account for withdrawal by ACH or EFT of Fees due no later than each applicable due date.

7.5. In addition to the sales data required to be provided in the Monthly T-Sheet to be delivered pursuant to Section 7.2, Franchisee shall deliver (in the manner prescribed by Franchisor) to Franchisor, on or before the tenth (10th) day after the end of each sales month during the term of this Agreement, any other sales and menu mix data reasonably requested by Franchisor with respect to the preceding sales month, whether specified in the Manual or otherwise.

7.6. Within thirty (30) days after the end of each calendar quarter and within one hundred twenty (120) days after the end of each calendar year during the term of this Agreement, Franchisee shall provide to Franchisor a financial statement of the franchise business which shall include such information and data as specified in the financial reporting format set forth in **Exhibit 6** attached hereto or in such other format reasonably approved by Franchisor. Such fiscal year-end financial statements must be signed by Franchisee, Franchisee's treasurer or Franchisee's chief financial officer and contain a representation that the financial statements present fairly the financial position of Franchisee and the results of operations of the franchise business during the period covered.

7.7. Franchisee shall make all payments when due to third parties for obligations arising out of or in any way connected with the existence, operation or maintenance of the Restaurant, including, but not limited to, rental and mortgage payments and payments for utilities, services, products, equipment, supplies, goods, inventory, materials, taxes,

labor and other matters. In the event that Franchisee fails to make any such payment in accordance with the foregoing and the nonpayment results or may reasonably result in a condition or event which threatens public safety or health or which may materially and adversely affect the ownership, condition or operation of the Restaurant, in either case in the reasonable judgment of Franchisor, Franchisor shall have the sole and absolute right, after five (5) days written notice to Franchisee, but not the obligation, to make such payment on behalf of Franchisee. Such payment shall be without prejudice and in addition to all other available rights and remedies. Any payment made by Franchisor pursuant to this Section 7.7 shall be paid by Franchisee to Franchisor as an additional amount for the monthly billing period in which such payment is made by Franchisor.

7.8. Franchisee shall maintain accurate and complete books and records pertaining to the operation and maintenance of the Restaurant as required by the standards, policies and procedures established by Franchisor in accordance with the Manual. Franchisee shall be solely responsible for performing all record keeping duties, and the cost for all such services shall be borne solely by Franchisee.

7.9. Franchisee shall obtain, install, and use the computer system that Franchisor requires or approves in writing. The term "**Computer System**" means communications, computer systems, and hardware to be used by the Restaurant, including (a) back office and point of sale systems, (b) cash register systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode (for example, Franchisee's telecommunications connection). In connection with the Computer System:

a. Franchisee must obtain, install, and use the computer software programs required by Franchisor (the "**Required Software**") from time to time. Franchisee must utilize any proprietary software program that Franchisor has developed or may develop, internally or with the assistance of outside suppliers or consultants, or that Franchisor may license for use by the El Pollo Loco® System.

b. Franchisor may modify specifications for and components of the Computer System and Required Software. The Computer System and Required Software must be purchased or leased from Franchisor or from suppliers approved by Franchisor and must be installed by Franchisor or by suppliers approved by Franchisor solely at Franchisee's expense. Franchisor may be the only approved supplier of the Computer System and Required Software. Franchisee is responsible, at Franchisee's expense, to ensure that all Computer System components and Required Software are: (i) installed in accordance with Franchisor's standards and procedures; (ii) functioning properly with timely upgrades, updates, modifications, and maintenance; and (iii) can interface with Franchisor's computer system. Franchisee has sole and complete responsibility for any and all consequences if the Computer System and Required Software is not properly operated, maintained, updated, modified, and upgraded. Franchisor's modification of specifications for the Computer System and Required Software may require Franchisee, at Franchisee's expense, to purchase, lease, and/or license new or modified computer hardware and/or software and/or communications capabilities and to obtain service and

support for such modifications. Franchisee shall be required to enter into an El Pollo Loco® IT Support Services Agreement (a "**Support Agreement**") in connection with the operation of the Computer System. The Support Agreement is attached to this Agreement as **Exhibit 7**. Franchisee agrees that Franchisor may condition any license of proprietary software to Franchisee, or your use of technology that Franchisor develops or maintains, on you signing the software license agreement or similar document Franchisor provides to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. Franchisor may charge Franchisee up-front and ongoing weekly or monthly fees for any proprietary software or technology Franchisor licenses to Franchisee and for other maintenance and support services provided during this Agreement's term.

c. The Computer System is for use by Franchisee only in connection with operational and management tasks of the Restaurant. Franchisee may not use the Computer System for email, word processing, spreadsheets, web surfing, or any other personal application or purpose not approved in writing by Franchisor ("**Personal Applications**"). However, Franchisee may run such Personal Applications on a separate personal computer and network provided by Franchisee, but the personal computer and network must run in "**stand alone, isolated mode**" and Franchisee must not interconnect such computer(s) with the Computer System. Franchisor reserves the right require Franchisee to shut down Personal Applications interfaces if Franchisor determines that such interfaces interfere with the Computer System operations, or the operation of the Restaurant. In addition, Franchisee will only install Franchisor approved Wi-Fi hardware to ensure security and controls are in place to protect and segment networks.

d. Franchisor shall have the right from time to time, and at any time, to retrieve data and information from Franchisee's Computer System, by modem or other means, and use it for any reasonable business purpose both during and after the term of this Agreement. Franchisor may, from time to time, specify in the Manual or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained.

7.10. All of the accounts, books, records and federal, state and local tax returns and reports of Franchisee, so far as they pertain to the business transacted under this Agreement, shall be open to inspection, examination and audit by Franchisor and its authorized representatives at any and all times, and copies thereof may be made by Franchisor and retained for its own use. All of such records shall be maintained and retained by Franchisee for seven (7) years, and following the termination or expiration of this Agreement, the books and records for the preceding seven (7) years shall be maintained and retained by Franchisee for five (5) years. Franchisor may inspect, examine audit and copy any and all books and records of the Franchisee's business. Any such inspection, examination and audit shall be at Franchisee's cost and expense as a result of Franchisee's failure to prepare and deliver its transmittal reports to Franchisor as required herein, or to maintain books and records as hereinabove provided, or if any such transmittal report is determined to be in error to an extent of two percent (2%) or

more for the period audited. Any such cost and expense shall be set forth in a written invoice delivered to Franchisee by Franchisor. Franchisee shall reimburse Franchisor for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee.

7.11. Franchisee shall sell or otherwise issue the stored value cards or gift cards and certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another EPL Restaurant or purchased at any other location including without limitation, retail stores, internet sales or other means of distribution. Franchisee shall sell, issue, and redeem (without any offset against any royalty fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing (the "**Gift Card Program**"), including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other EPL Restaurants and for making timely payment to Franchisor, other operators of EPL Restaurants, or a third-party service provider for Gift Cards issued from the EPL Restaurant that are honored by Franchisee, Franchisor or other EPL Restaurant operators. Franchisee acknowledges and agrees that, in connection with the Gift Card Program, Franchisee may be required to:

a. Enter into a separate agreement with a third-party provider of Gift Card services under the terms and conditions as may reasonably be required by such third party for participation in the Gift Card Program;

b. Purchase and maintain a sufficient number of Gift Cards, in a form approved by Franchisor, as may reasonably be required for participation in the Gift Card Program;

c. Purchase or upgrade, as applicable, such hardware, software and equipment as shall be necessary to participate in the Gift Card Program;

d. Promote and sell the Gift Cards in Franchisee's Restaurant using only marketing methods and materials approved by Franchisor;

e. Comply in all material respects with all applicable laws, statutes and regulations in performing Franchisee's obligations under this Agreement and otherwise in connection with Franchisee's participation in the Gift Card Program; and

f. Execute such forms or documents or take such other actions reasonably necessary or requested by Franchisor to effectuate Franchisee's participation in the Gift Card Program.

7.12. Franchisee acknowledges and agrees that Franchisor reserves the right to discontinue or modify the Gift Card Program at any time, as its sole and absolute right.

Upon receipt of written notice from Franchisor of its intent to discontinue or modify the Gift Card Program, Franchisee shall, as applicable, immediately cease offering and accepting Gift Cards and/or make such modifications as Franchisor shall require.

7.13. Franchisee shall participate in the Remote Ordering System (including, but not limited to, website and mobile application ordering and payment), Loyalty Program, Third Party Delivery Program, Digital Menu Boards Program, and Curbside Pickup Program (collectively referred to as "**Programs**"). Franchisee shall comply with procedures and policies of the Programs specified by Franchisor in the Manual or otherwise in writing, including those relating to making timely payment to third-party service providers for such Programs. Franchisee acknowledges and agrees that, in connection with the Programs, Franchisee may be required to:

a. Enter into a separate agreement with third party service providers of the Programs under the terms and conditions as may reasonably be required by such third parties for participation in the Programs;

b. Purchase or upgrade, as applicable, such hardware, software and equipment as shall be necessary to participate in the Programs;

c. Comply in all material respects with all applicable laws, statutes and regulations in performing Franchisee's obligations under this Agreement and otherwise in connection with Franchisee's participation in the Programs; and

d. Execute such forms or documents or take such other actions reasonably necessary or requested by Franchisor to effectuate Franchisee's participation in the Programs; and

e. Accept credit cards and mobile payments for orders made through these and other programs or product distribution channels, not imposing any minimum amount for the acceptance of any payment method.

7.14. We may discontinue or modify the Programs at any time, and upon receiving notice from us that we intend to do so, you must immediately cease the Programs or make the modifications that we require.

7.15. Franchisee acknowledges and agrees that it is in the best interest of the business conducted at the Restaurant and the System as a whole, to participate in the Payment Card Industry ("**PCI**") Data Security Standard ("**DSS**") Program offered through a third party vendor. This is a set of security requirements that uses current technology and physical security best practices to protect credit cardholder data. The size of Franchisee's business and the number of transactions processed by Franchisee will determine Franchisee's specific requirements for achieving PCI compliance. Currently, the monthly cost of quarterly firewall scans is included with the Micros Platinum service monthly fees; however, such monthly cost may increase as detailed in the El Pollo Loco® IT Support Services Agreement, attached and incorporated herein as **Exhibit 7**. If

Franchisee is found to be non-compliant with the PCI/DSS and remediation is required, a third party vendor will work directly with Franchisee to resolve any outstanding issues and Franchisee may have to pay additional fees. All franchisees are required to participate in this program from a third party vendor as to which we, as our sole and absolute right, may require approval. Franchisee further promises that the results of the PCI review of Franchisee's operations, in so far as they pertain to the business transacted under this Agreement, shall be open to inspection, examination and audit by Franchisor and its authorized representatives at any and all times, and copies thereof may be made by Franchisor and retained for its own use. All of such records shall be maintained and retained by Franchisee as required by the PCI DSS. Franchisee understands and agrees that Franchisee is solely responsible for meeting the requirements for the PCI DSS Program. Failure to do so shall be considered grounds for termination of this Agreement as provided in Section 18 hereof.

8. ADVERTISING AND MARKETING

8.1. Recognizing the value of marketing and advertising to the goodwill and public image of the El Pollo Loco® System, Franchisor administers funds for advertising, public relations, marketing research and promotion into which franchisees contribute an Advertising Fee. El Pollo Loco® restaurants owned and operated by Franchisor contribute on the same basis as franchisees within the same DMA.

8.2. The entire Advertising Fee will be deposited into the "**Advertising Fund**" to be allocated as Franchisor's sole and absolute right.

8.3. Franchisor shall have the sole and absolute right to determine the expenditures, investments and all aspects of activities funded by the Advertising Fund, including media plans and buying, creative concepts, materials, endorsements and agency relationships. The Advertising Fund may be used to pay for production costs for materials and programs Franchisor chooses, including advertising agency fees, market research, concept development, design development (store prototypes and advertising), product research and development, video, audio, electronic, written advertising materials, media and public relations programs, reimbursement for Franchisor's direct overhead and personnel costs to fulfill our obligations to Franchisee in connection to the Advertising Fund and other uses that Franchisor determine to be appropriate and beneficial for some or all EPL Restaurants. The Advertising Fund will be accounted for separately from Franchisor's other funds. Although it has been Franchisor's practice to spend all advertising funds in the fiscal year in which they are collected, Franchisor reserves the right to spend such advertising funds in the next fiscal year to the extent Franchisor deems appropriate. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions made by EPL Restaurants to the Advertising Fund in that year, and the Advertising Fund may borrow from Franchisor or from other lenders to cover deficits in the Advertising Fund or cause the Advertising Fund to invest any surplus for future use by the Advertising Fund. Upon request, but not more frequently than annually, Franchisor will provide Franchisee with a written description of the expenditures made by the Advertising Fund during the fiscal year immediately preceding the request of the

advertising fees received from franchisees. The statement of expenditures is not required to be audited.

8.4. If Franchisee's Restaurant is located outside the LA DMA, Franchisor may allocate a portion of Franchisee's Advertising Fee, in the amount that we determine in our discretion, to a Local Advertising Fund ("**LAF**") and control all decisions regarding the use of the LAF. Franchisee will be required to pay the Advertising Fee to Franchisor at the same time as Franchisee's royalty payments pursuant to the Authorization Agreement for Prearranged Payments (**Exhibit 4** to the Franchise Agreement). Franchisee must use current approved vendors for Franchisee's advertising order, and Franchisor will pay the approved vendor directly upon approval of the order and confirmation of receipt of the order with Franchisee. The LAF monies will also be used to reimburse Franchisee for the cost of implementing local marketing plans developed by Franchisee and approved in writing by Franchisor (up to an amount not to exceed the LAF contributions collected). For these purposes, qualifying LAF expenditures include, but are not limited to: (a) amounts contributed to Advertising Associations (defined below); and (b) amounts spent for advertising media, such as television, radio, newspaper, billboards, posters, direct mail, collateral and promotional items, advertising on vehicles (excluding the cost of any vehicle), and, if not provided by Franchisor, the cost of producing approved materials necessary to participate in such media. Non-qualifying LAF expenditures include amounts spent for items which Franchisor, in its reasonable judgment, deems inappropriate for meeting the minimum advertising requirement, including, but not limited to: permanent on-premises Signs and traditional or digital menu boards, transportation vehicles, marketing personnel salaries, public relations or advertising agency retainer, highway signs or any other signage for directional purposes only, store labor costs associated with the execution of any marketing program, lighting, administrative costs, Yellow Pages advertising, discounts/coupons offers, free offers, employee incentive programs, and any unapproved marketing or advertising materials.

8.5. Franchisee shall not engage in any advertising activities without Franchisor's prior written consent. Should Franchisee submit advertising that is not approved by Franchisor, Franchisee will be required to revise and resubmit such advertising again for written approval, *prior* to use of such advertising. Franchisee shall submit to Franchisor for Franchisor's prior approval, at least thirty (30) days prior to the beginning of each fiscal year, a marketing plan for Franchisee's DMA. This marketing plan may be submitted by all franchisees in Franchisee's DMA through an area advertising association. If Franchisee is using materials not prepared by Franchisor and which vary from Franchisor's standard advertising and promotional materials, such materials must be submitted to Franchisor for approval no less than forty-five (45) days prior to the beginning of such promotion or program. Franchisor will review any materials submitted for Franchisor's approval within ten (10) business days of receipt of such materials. Franchisee shall not use any advertising or promotional materials that Franchisor has disapproved, or that Franchisor has not approved.

8.6. Franchisor shall have the right to establish local and/or regional advertising associations ("**Advertising Associations**") for El Pollo Loco® restaurants in Franchisee's

local or regional area, covering the geographic areas Franchisor may designate from time to time. Franchisor has the right to form, change, dissolve or merge the Advertising Associations. If Franchisor has established an Advertising Association in Franchisee's DMA, Franchisee must participate in the Advertising Association and its programs and abide by its by-laws. Each EPL Restaurant located within the area governed by the Advertising Association will have one (1) vote. Franchisee must contribute the amounts to the Advertising Association(s) as determined by the Advertising Association members from time to time in accordance with their bylaws. Any EPL Restaurant owned by Franchisor in Franchisee's DMA or regional market area(s) will contribute to the Advertising Association on the same basis as Franchisee contributes for its Restaurant. Contributions to the local and regional Advertising Associations are credited toward the LAF advertising expenditures required pursuant to Section 8.4 above; however, if Franchisor provides Franchisee and Franchisee's Advertising Association ninety (90) days' notice of a special promotion, including, but not limited to, any regional promotions, Franchisee must participate in the promotion and also pay Franchisor any special promotion advertising fees assessed in connection with the program, beginning on the effective date of the notice and continuing until the special promotion is concluded. Any special promotion advertising fees will be in addition to, and not credited towards, the LAF advertising expenditure required pursuant to Section 8.4 above. The Advertising Association Membership Agreement is attached to this Agreement as **Exhibit 5**. Franchisor may administer the Advertising Associations and collect Franchisee's Advertising Association contributions by automatic electronic withdrawal.

8.7. Franchisor shall be under no obligation to use the Advertising Fund to advertise equally for all markets or for all DMAs. All advertising fee contributions from Franchisor-operated restaurants shall be deposited in the Advertising Fund. Franchisor shall be under no obligation to determine the incremental cost of franchise sales advertising and investor relations sections of any internet web sites established by Franchisor and funded in whole or in part by the Advertising Fund.

8.8. In addition to Advertising Fees payable pursuant to Section 6.1 of this Agreement, Franchisee shall expend $5,000.00 to conduct grand opening advertising and local store marketing and promotion programs for Franchisee's Restaurant, utilizing advertising and promotional materials approved by Franchisor. Such grand opening advertising shall be conducted in accordance with Franchisor's specifications and standards and in accordance with a grand opening plan (which will cover advertising and promotion for the 15 days prior to the Opening Date and 45 days following the Opening Date) which Franchisee prepares and submits to Franchisor for approval at least 30 days prior to the anticipated Opening Date. Franchisee shall submit to Franchisor, not later than 15 days following the conclusion of such grand opening promotion, written receipts and other evidence reasonably satisfactory to Franchisor evidencing all amounts spent by Franchisee to conduct the grand opening promotion.

9. INSURANCE AND INDEMNIFICATION

9.1. Throughout the term hereof, Franchisee shall obtain and maintain insurance coverage with insurance carriers acceptable to Franchisor in accordance with Franchisor's current insurance requirements as modified from time to time. The coverage shall commence when the Location is secured by Franchisee by executed deed or (sub)lease. As proof of such insurance, a certificate of insurance shall be submitted by Franchisee for Franchisor's approval prior to Franchisee's commencement of any activities or services to be performed under this Agreement. Franchisee shall deliver a complete copy of Franchisee's then-prevailing policies of insurance to Franchisor within thirty (30) days following the delivery of the certificate of insurance. The coverage shall include the following:

a. Full compliance with the insurance requirements of Franchisee's (sub)lease, if any; and

b. Commercial general and product liability insurance written on an occurrence form that includes but is not limited to, premises-operations, property damage (including fire and extended coverage, vandalism and malicious mischief insurance for replacement value of the restaurant and its contents), products/completed operations, contractual liability, independent contractors, personal injury and advertising injury and liability assumed under an insured contract with coverage no less than a minimum $1,000,000 per occurrence and $2,000,000 general aggregate; and

c. Automobile liability with at least $1,000,000 combined single limit; and

d. Umbrella excess liability insurance with a minimum limit of $5,000,000 limit per occurrence; and

e. Property and extended coverage insurance with a maximum deductible of $10,000.00 and with endorsements for vandalism and malicious mischief, covering the building, structures, equipment, improvements and the contents thereof in and at the Restaurant, on a full replacement cost basis, insuring against all risks of direct physical loss (except for unusual perils such as nuclear attack, earth movement and war), and business interruption insurance sustained form covering the rental of the Location, previous profit margins, maintenance of competent personnel and other fixed expenses; and

f. Such worker's compensation insurance as may be required by applicable workers compensation and/or occupational disease law; and

g. In connection with and prior to commencing any construction, reimage or remodeling of the Restaurant, Franchisee shall maintain Builder's All Risks

Insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, acceptable to Franchisor; and

h. An additional insured endorsement naming Franchisor. The endorsement shall state the above-described insurance shall be primary and not contributory, as to Franchisor; with a waiver of subrogation in favor of Franchisor. All policies must contain provisions waiving rights of recovery against any named insured by subrogation; and

i. Commercial liability and umbrella/excess policies shall not contain: (i) mold, fungi, viruses, or bacteria exclusions applying to a good or product intended for consumption, or (ii) property damage or bodily injury caused by the ingestion of food. There may be other insurance policies (not mentioned here) required to cover potential losses due to your particular business operations.

j. All public liability and property damage policies shall contain a provision that Franchisor, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to it, its affiliates, officers, agents and employees by reason of the negligence of Franchisor, Franchisee, or their respective principals, contractors, agents or employees; and

k. All policies shall extend to and provide indemnity for all obligations assumed by Franchisee hereunder and all other items for which Franchisee is required to indemnify Franchisor under the provisions of this Agreement, whether or not the liability arose from the negligence of Franchisor, its principals, contractors, agents or employees, and shall provide Franchisor with at least thirty (30) days prior written notice of cancellation, termination or material reduction of coverage.

9.2. Franchisor shall be named as an additional insured on all of such policies referenced in Section 9.1 above to the extent of its interests and shall be provided by Franchisee with certificates of insurance evidencing such coverage prior to the Opening Date and promptly following the date any policy of insurance is renewed, modified or replaced during the term of this Agreement. All coverages shall be placed with a financially stable insurer with a minimum AM Best Ratings of A-VII. Franchisor reserves the right to specify reasonable changes (which may include increases) in the types and amounts of insurance coverage required by this Section 9. Should Franchisee fail or refuse to procure the required insurance coverage from an insurance carrier acceptable to Franchisor or to maintain it throughout the term of this Agreement, Franchisor may as its sole and absolute right, but without any obligation to do so, obtain such coverage for Franchisee, in which event Franchisee shall pay on demand the required premiums and any related fees or costs (such as, but not limited to, broker's fees, taxes or service fees) or reimburse Franchisor therefore. The amount of such premiums and any related fees or costs shall be set forth in a written invoice delivered to Franchisee by Franchisor. Franchisee shall reimburse Franchisor for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 23.3 of this Agreement. Failure to maintain the required insurance or to promptly reimburse Franchisor for any

premiums and any related fees or costs paid on behalf of Franchisee by Franchisor shall constitute a default hereunder. Should Franchisor elect to obtain such coverage for Franchisee, then Franchisee will assist Franchisor by providing the necessary information and access to enable Franchisor to obtain coverage for Franchisee. In the event of any claim, lawsuit, complaint, cross complaint, arbitration, demand, allegation, or liens and damages (collectively "**Claim**"), Franchisee shall immediately notify Franchisor in writing of the Claim and the facts surrounding such Claim pursuant to Section 23.3 of this Agreement.

9.3. Franchisee shall defend immediately upon tender of defense, at its own cost, Franchisor, its subsidiaries, parent and affiliates, shareholders, directors, officers, employees and agents (collectively referred to, for this Sections 9.3 and 9.4 only, as "**Franchisor**"), from and against any and all claims, lawsuits, complaints, cross complaints, arbitrations, demands, allegations, costs embraced by indemnity, loss, costs, expenses (including attorneys' fees), liens and damages (collectively referred to, for Sections 9.3 and 9.4 only, as "**Losses**"), however caused, and reimburse Franchisor for all costs and expenses (including attorneys' fees) incurred by Franchisor in defense of any Losses, resulting directly or indirectly from or pertaining to or arising out of, or alleged to arise out of, or in connection with the use, operation, maintenance, condition, construction, equipment, decorating, signage (including traditional or digital menu boards), sidewalks, exterior, interior, parking lot, food preparation, sales and service of Franchisee's restaurant, including any labor, any employee related claims whatsoever, including, without limitation any claims made by an employee of Franchisee resulting from the employee's training in a Franchisor operated facility or restaurant, and including Franchisee's failure for any reason to fully inform any third party of Franchisee's lack of authority to bind Franchisor for any purpose. Such Losses shall include, without limitation, those arising from latent or other defects in the restaurant whether or not discoverable by Franchisor, and those arising from the death of or injury to any person or arising from damage to the property of Franchisee or Franchisor, or any third person, firm or corporation, whether or not resulting from any strict liability imposed by fact, law, statute, or ordinance, on Franchisor. Franchisee further agrees that Franchisee's duty to defend Franchisor is separate from, independent of and free-standing of Franchisee's duty to indemnify Franchisor and applies whether the issue of Franchisee's negligence, breach of contract, or other fault or obligation has been determined. Franchisee's duty to defend is regardless of the outcome of liability even if Franchisee is ultimately found not negligent and not dependent on the ultimate resolution of issues arising out of any claims, lawsuits, complaints, cross complaints, arbitration, demands, allegations, costs embraced by indemnity, loss, costs, expenses (including attorneys' fees), liens or damages.

9.4. Franchisee shall indemnify and hold harmless Franchisor from and against any and all Losses, however caused, resulting directly or indirectly from or pertaining to or arising out of or in connection with the use, operation, maintenance, condition, construction, equipment, decorating, signage (including traditional or digital menu boards), sidewalks, exterior, interior, parking lot, food preparation, sales and service of Franchisee's restaurant, including any labor, any employee related claims whatsoever, including, without limitation any claims made by an employee of Franchisee resulting from

the employee's training in a Franchisor operated facility or restaurant, and including Franchisee's failure for any reason to fully inform any third party of Franchisee's lack of authority to bind Franchisor for any purpose. Such Losses shall include, without limitation, those arising from latent or other defects in the restaurant whether or not discoverable by Franchisor, and those arising from the death of or injury to any person or arising from damage to the property of Franchisee or Franchisor, or any third person, firm or corporation, whether or not resulting from any strict liability imposed by fact, law, statute, or ordinance, on Franchisor. Franchisee further shall indemnify and hold harmless Franchisor from all said Losses and shall pay for and be responsible for all said Losses, however caused, whether by any individual, employee, third person or party, vendor, visitor, invitee, trespasser or any firm or corporation whatsoever, whether caused by or contributed to by Franchisor, the combined conduct of Franchisee and Franchisor, or active or passive negligence of Franchisor, but for the sole negligence or willful misconduct of Franchisor.

10. VENDING MACHINES

10.1. Franchisee shall not install a video game machine, juke box, cigarette machine, public telephone or other type of vending machine or device, whether or not coin operated in the Restaurant, or on its premises, without prior written approval of Franchisor, which approval will be granted or denied as Franchisor's sole and absolute right. The revenues received by Franchisee from any approved machines shall be included in Franchisee's Net Sales.

11. COMPLIANCE WITH MANUAL AND WITH SYSTEM STANDARDS

11.1. Franchisee acknowledges and agrees that strict and continued adherence by Franchisee to Franchisor's standards, policies, specifications, procedures, requirements, menu items policies, and the Manual comprising the El Pollo Loco® System (collectively, the "**System Standards**"), as set forth in this Section 11, in the Manual, and in other standards, policies, and procedures documents created or modified by Franchisor from time to time, is required and that failure on the part of Franchisee to so adhere will be grounds for termination of this Agreement as provided in Section 18 hereof. Franchisee acknowledges that changes, modifications, deletions and additions to the System Standards may be necessary and desirable from time to time. Franchisor may make such modifications, revisions, deletions and additions, including without limitation, modifications, revisions, deletions and additions to the Manual and to the menu items required to be offered by Franchisee, which Franchisor, in good faith and exercising its judgment believes to be desirable. Franchisee agrees to comply with any such modification, revision, deletion or addition as of the date that such modification, revision, deletion or addition becomes effective, whether they involve refurbishing or remodeling the Restaurant, buying new operating assets, adding new menu items and services, initiating new programs, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date. Franchisee acknowledges that it shall receive one (1) copy of the Manual for the Restaurant on loan from Franchisor and that the Manual shall at all times remain the sole property of Franchisor. Franchisee

understands that Franchisor has entered into this Agreement in reliance upon Franchisee's representation that it will strictly comply with all the provisions of the Manual. For purposes of this Agreement, the Manual shall be deemed to include all written directions delivered to Franchisee by Franchisor from time to time setting forth standards, specifications and procedures for the operation of Franchisee's Restaurant.

11.2. Franchisee acknowledges and agrees that it is in the best interest of the business conducted at the Restaurant to prepare and serve food in the Restaurant only from ingredients which meet the product specifications as communicated by Franchisor to Franchisee from time to time (the "**Specifications**"), and Franchisee further promises that all products, equipment, goods, inventory and supplies used in connection with the Restaurant will comply with the Specifications. Furthermore, Franchisee shall not offer or sell any product, service or other item at the Restaurant except those prior approved in writing by Franchisor.

a. All menu items shall be made in strict compliance with Franchisor's written recipes and requirements, which Franchisor may change from time to time by amendments to the Manual.

b. Franchisee acknowledges and agrees that all proprietary El Pollo Loco® marinades, marinade mixes and marinated ingredients used in the preparation of the required and approved El Pollo Loco® food products are unique. Their formulae and the process of their manufacture constitute trade secrets. Franchisee shall purchase such marinades, marinade mixes and marinated ingredients exclusively from Franchisor or, as Franchisor's sole and absolute right to determine, from Franchisor's designated distributor. The right to purchase and use such marinades, marinade mixes and marinated ingredients is licensed to Franchisee pursuant to this Agreement, and such right is restricted to use in the franchise business at the Restaurant and solely for the term of this Agreement.

11.3. Throughout the term of this Agreement, Franchisee shall be actively engaged in the management and day-to-day operation of the Restaurant. Franchisee may appoint an Operations Director to supervise all franchise activities. If Franchisee appoints an Operations Director, such appointment is subject to Franchisor's prior written approval and the Operations Director must satisfactorily complete Franchisor's management training program and have received the ServSafe® certification; and Franchisee must complete either Franchisor's management training program or the Executive Franchisee Training Program. The Operations Director shall be actively engaged in the management and day to day operations of the restaurant and devote full time and best efforts to the supervision of EPL Restaurant(s) owned by Franchisee. If at any time, for any reason, the Operations Director ceases to perform those duties on behalf of the Restaurant(s), Franchisee shall appoint a new Operations Director within 30 days subject to Franchisor's prior written approval, and the newly appointed Operations Director must satisfactorily complete Franchisor's management training program within 90 days of appointment and have received the ServSafe® certification at Franchisee's expense; or, Franchisee shall assume the duties of the Operations Director and complete

Franchisor's management training program within 120 days (if not previously completed). Franchisee must also comply with any applicable transfer provisions of this Agreement if the change in Franchisee's Operations Director results in a change in the equity ownership of the Restaurant.

11.4. Franchisee acknowledges that it has received a copy of Franchisor's list of approved brands and distributors (the "**Approved Brands and Distributors List**"). Franchisor has consulted with the distributors set forth on such list and each distributor has agreed to offer products, services, equipment, goods, inventory, supplies or paper products which will comply with Franchisor's Specifications. Such Approved Brands and Distributors List is furnished to Franchisee and Franchisee must purchase only those products, equipment, goods, inventory, supplies and paper products that comply with the Specifications and only those brands, and only from those distributors, that are on the Approved Brands and Distributors List. If Franchisee desires to purchase any brands and/or products from any distributor not named on the Approved Brands and Distributors List (or any brand and/or product not on the Approved Brands and Distributors List from a distributor on that list), Franchisee shall first submit to Franchisor a written request for approval of any such brand, product and/or distributor whichever is applicable, prior to Franchisee's purchase of such product from such distributor. Franchisor shall have the right to require that its representatives be permitted to inspect the distributor's facilities and that samples from the distributor be delivered either to Franchisor or to an independent laboratory designated by Franchisor for testing. Upon completion of Franchisor's inspection or evaluation of the proposed distributor (including samples provided by such distributor), and upon submission of any additional information or data required by Franchisor, Franchisor shall promptly approve or reject such proposed distributor or services and goods. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved distributor or of any distributor on Franchisor's Approved Brands and Distributors List and to revoke its approval upon the distributor's failure to continue to meet any of Franchisor's then-current Specifications and criteria. Nothing in the foregoing shall require Franchisor to approve any distributor. Franchisor agrees to evaluate any item which Franchisee is considering procuring to determine whether such item complies with the Specifications. No charge shall be made by Franchisor for the services of Franchisor's employees in connection with such evaluation; however, Franchisee shall reimburse Franchisor for its reasonable cost and expenses in connection with such evaluation, including any amounts paid to independent laboratories or consultants chosen by Franchisor as its sole and absolute right to assist in such evaluation. All such amounts shall be set forth in a written invoice delivered to Franchisee by Franchisor. Franchisee shall reimburse Franchisor for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee pursuant to Section 23.3 of this Agreement. The Approved Brands and Distributors List and any guide containing such list are proprietary information of El Pollo Loco® and must be kept strictly confidential by Franchisee. Franchisee shall not copy, distribute, release or otherwise provide any third party with all or any part of the information contained in the Approved Brands and Distributors List or guide without first obtaining the prior written approval of Franchisor, which approval may be withheld as Franchisor's sole and absolute right. (Notwithstanding anything in this Agreement to the contrary, Franchisor may designate

itself the only approved distributor of some or all of the brands and/or products. Franchisor's proprietary products must be purchased from Franchisor or its designated distributor pursuant to Section 11.2.b.

11.5. As uniformity of appearance and public recognition are important to the El Pollo Loco® brand recognition and success of Franchisee and Franchisor hereunder, Franchisee shall:

a. Use only uniforms, Signs, cards, posters, notices, displays, decorations, table tents and other such advertising materials which are identical in appearance and quality to those furnished or approved by Franchisor. Franchisor may make available its menu-stock (pre-printed as to all matters other than menu prices), including specials and featured items, to Franchisee for printing in the event that Franchisee elects to charge prices not provided for in Franchisor's menu codes. Notwithstanding anything in this Agreement to the contrary, Franchisor reserves the right, to the fullest extent allowed by applicable law, to: establish maximum, minimum or other pricing requirements with respect to the prices Franchisee may charge; recommend retail prices; advertise specific retail prices for some or all products sold by Franchisee, which prices Franchisee will be compelled to observe; engage in marketing, promotional and related campaigns, which Franchisee must participate in and which may directly or indirectly impact Franchisee's retail prices; and otherwise mandate, directly or indirectly, the prices which Franchisee may charge.) Franchisee agrees that all specials or featured items designated by Franchisor shall be included as part of the menu and shall be made available on the days and times designated by Franchisor; and

b. Not authorize or permit in the Restaurant, or on behalf of the Restaurant, any advertising, Signs, cards, posters, notices, displays, decorations or table tents other than those described in Section 11.5(a) , nor authorize or permit in or around the Restaurant any products or services which are not authorized by Franchisor, without the prior written consent of Franchisor.

c. Receive written approval from Franchisor's Marketing Department to employ delivery companies as described in the Manual. Notwithstanding the foregoing, under the System, and as described in Section 7.13 above, Franchisor requires Franchisee's participation in the Remote Ordering System, Loyalty Program, Third-Party Delivery Program, and Curbside Pickup Order Program. Franchisee shall be required to participate, offer and conduct such programs.

d. Comply with our customer complaint resolution procedures and our commitment to customer satisfaction policy. Franchisee must reimburse Franchisor promptly if Franchisor resolves a customer complaint because you fail to resolve the matter as or when required.

e. Cooperate with Franchisor to maintain a single voice for the El Pollo Loco® brand across all social media platforms, including your agreement to refrain from

creating, posting, or maintaining your own social media pages related to the El Pollo Loco® brand.

11.6. Franchisor shall have the right to remove any unauthorized material at Franchisee's expense.

11.7. At all times during this Agreement's term, Franchisee must secure and maintain all licenses, permits, and certificates required for the Restaurant's operation and operate the Restaurant in full compliance with all applicable laws, ordinances, and regulations, including government regulations relating to occupational hazards, health, environment, employment, workers' compensation and unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales and service taxes. Your advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. The Restaurant must in all dealings with customers, suppliers, Franchisor, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees not to engage in any business or advertising practice that could injure El Pollo Loco® Restaurants. Franchise must notify us in writing immediately if (a) any legal charge is asserted against Franchisee or the Restaurant (even if there is no formal proceeding), (b) any action, suit, or proceeding is commenced against Franchisee or the Restaurant, (c) you receive any report, citation, or notice regarding the Restaurant's failure to comply with any licensing, health, cleanliness, or safety standard, or (d) any bankruptcy or insolvency proceeding or an assignment for the benefit of creditors is commenced by or against Franchise, your owners, or the Restaurant. Franchisee shall submit copies of all government health inspections and food borne illness investigation reports of the Restaurant to Franchisor, or Franchisor's designated agent. Additionally, should Franchisee be subject to Restaurant closure by health officials or receive a "**B**" or equivalent restaurant rating, Franchisee will immediately notify Franchisor by the fastest means available.

12. RESTAURANT MAINTENANCE AND REPAIR

12.1. Maintenance and repair of the Restaurant are the sole responsibility and shall be done at the expense of Franchisee. For the term of this Agreement, Franchisee, at its sole cost and expense, shall maintain the Restaurant and the Location, including, but not limited to, the Restaurant building, the Location and parking lot, equipment, decor, furnishings, fixtures, wares, utensils, supplies, and inventory, in good working order and condition and in compliance with all laws. Franchisee shall make all repairs within a reasonable time period not to exceed thirty (30) days of the date such repairs are identified as needed to bring the Restaurant into a first-class condition. Franchisee shall replace any of the Restaurant's equipment, furnishings and fixtures and repaint the Restaurant as necessary to satisfy this Section 12. Without limiting the generality of the foregoing, upon notice from Franchisor of any change required or recommended by applicable law, rule or regulation, or if Franchisor discovers any circumstance which is or may result in a danger to public health, Franchisee shall promptly, remove, repair, replace or modify any equipment or fixtures used in the Restaurant necessary to satisfy or rectify

the same. All replacement equipment, furnishings and fixtures shall comply with Franchisor's then-current requirements and specifications.

12.2. Franchisee shall not make any addition to or change in the physical appearance, decor, characteristics or style of the Restaurant without the prior written consent of Franchisor which consent may be withheld or granted as Franchisor's sole and absolute right.

12.3. During the term of this Agreement, Franchisor may require Franchisee, at Franchisee's expense, to remodel the Restaurant to then current El Pollo Loco® standards, format, design and image, as designated pursuant to plans and specifications provided by Franchisor; provided, however, Franchisee shall not be required to undertake such remodeling more than once every seven (7) years during the term of this Agreement, except if such remodeling is required in connection with a transfer of the Restaurant under Section 17.6.c of this Agreement or granting of a successor franchise under Section 20 below.

12.4. All Signs to be used in connection with the Restaurant, both exterior and interior, must conform to Franchisor's Sign criteria as to type, color, design and location and be approved in writing by Franchisor prior to installation or display. Franchisee shall change its Signs to conform with updated or revised requirements of Franchisor when Franchisor commits to implementing such revisions at twenty-five percent (25%) of the Franchisor's then-operated El Pollo Loco® restaurants and at such times as Franchisee is required to perform remodeling work pursuant to Section 12.3.

12.5. Franchisee shall at all times operate its Restaurant as a clean, safe, sanitary, orderly, legal and respectable place of business in accordance with the Manual, the lease or sublease, if any, for the Location and all applicable federal, state or local laws, rules, or regulations, including but not limited to, OSHA related safety training and compliance. Franchisee shall not cause or allow any part of its Location to be used for any immoral or illegal purpose. Any citations or penalties issued shall be the sole responsibility of Franchisee.

13. HOURS OF OPERATION

13.1. Franchisee shall keep the Restaurant fully operational and open to the public upon such days and during such minimum number of hours as Franchisor shall prescribe from time to time in the Manual. Franchisee shall supply to Franchisor prior to the commencement of the construction or remodeling work of the Restaurant proof that the Restaurant is allowed to be open to the public during such required hours and days by the applicable local governmental authorities and by the landlord under the lease for the Location. In the event that the Restaurant is closed for reasons beyond Franchisee's control, Franchisee will immediately notify Franchisor by the fastest means available of the closing.

14. PERSONNEL STANDARDS

14.1. Franchisee shall hire, train and supervise Restaurant employees in accordance with the applicable provisions of the Manual. Franchisee shall do everything necessary to ensure that all employees are, at all times during employment in the Restaurant, neat, clean and adequately trained and supervised in connection with the performance of their duties.

14.2. Franchisee acknowledges that adequate training and supervision are necessary in order to ensure that the Restaurant personnel provide service to the public in a courteous, efficient and skilled manner and in accordance with the standards set forth in the Manual. Franchisee understands and agrees that Franchisee is solely responsible for the performance of its Operations Manager and all other of its employees and that the acts and omissions of such employees which are inconsistent with the provisions of this Agreement shall be considered grounds for termination of this Agreement as provided in Section 18 hereof.

14.3. Franchisee shall maintain wages, hours, working conditions and other benefits for all of its employees in accordance with all federal, state and local laws and regulations.

14.4. Franchisee shall maintain all employee time, payroll and tax records and to file required reports thereon in accordance with all federal, state and local laws and regulations.

14.5. It is mutually understood and agreed by the parties that Franchisee retains the responsibility and independent authority, notwithstanding any provision of this Agreement, to maintain and enforce personnel policies and procedures, including, but not limited to, hiring, firing and disciplining its employees. Nothing contained in this Agreement shall be construed or interpreted so that any employee of Franchisee becomes or is deemed to be an employee or agent of Franchisor. Franchisee shall be solely responsible for the maintenance and handling of all employee matters and Franchisee shall indemnify and hold Franchisor and its affiliates and subsidiaries harmless from any claims, losses, or liabilities resulting from any failure by Franchisee to act in such a manner.

15. INSPECTIONS

15.1. Franchisor and its authorized representatives shall have the right to inspect the Restaurant and the supplies and inventory of Franchisee. Franchisor's personnel and representatives shall have the right to enter the Restaurant at any reasonable time, and from time to time, with or without notice, for the purposes of examination, conferences with Franchisee and personnel of Franchisee, observation and evaluation of the operations being conducted at the Restaurant, and for all other purposes in connection with a determination that the Restaurant is being operated in accordance with the terms

of this Agreement, the Specifications and Manual and other applicable laws and regulations.

15.2. Franchisor may conduct quality control and evaluation programs, as Franchisor shall determine (including a "**accuracy guarantee**" program, social media monitoring, or other similar programs). Franchisee shall allow and participate in such program(s), as required by Franchisor. Franchisor shall have the right to require Franchisee to pay its pro-rata share of the costs incurred in establishing and maintaining such program(s) and Franchisee shall promptly pay such charges. Franchisee acknowledges that Franchisor shall have the right, in any manner Franchisor may deem appropriate, to publish or disclose any information that is collected, produced or maintained under any program(s) implemented pursuant to this section to other franchisees under the El Pollo Loco® System on a named basis, or to third parties outside the El Pollo Loco® System on an anonymous basis.

15.3. In connection with inspections conducted pursuant to Sections 15.1 and 15.2 above, Franchisor and its authorized representatives may deliver to Franchisee an inspection report in such form(s) as may be adopted by Franchisor from time to time (the "**Inspection Report(s)**"). The Inspection Report(s) shall indicate the principal items inspected, observed and evaluated.

15.4. In the event that any such Inspection Report indicates a deficiency or unsatisfactory condition with respect to any item listed thereon, Franchisee shall promptly commence to correct or repair such deficiency or unsatisfactory condition and thereafter diligently pursue the same to completion. In the event of a failure by Franchisee to comply with the foregoing obligation to correct or repair, Franchisor, in addition to all other available rights and remedies, including the right to terminate this Agreement pursuant to Section 18 below, shall have the sole and absolute right, but not the obligation, to forthwith make or cause to be made such correction or repair, and the expenses thereof, including, without limitation, meals, lodging, wages and transportation for Franchisor's personnel, if so utilized as Franchisor's sole and absolute right to determine, shall be promptly reimbursed by Franchisee. Should any deficiency or unsatisfactory condition be reported more than once within any thirty (30) day period, Franchisor shall have the right, in addition to all other available rights and remedies, to place a Franchisor representative in charge of the Restaurant for a period of up to thirty (30) days in each such instance, and the wages and expenses of meals, lodging and transportation of said representative, which shall be commensurate with that provided for managers of other Franchisor-owned El Pollo Loco® restaurants, shall promptly be reimbursed by Franchisee. All such expenses incurred by Franchisor pursuant to this Section shall be set forth in a written invoice delivered to Franchisee by Franchisor. Franchisee shall reimburse Franchisor for the invoice amount within seven (7) days after the invoice has been delivered to Franchisee.

15.5. Notwithstanding Section 15.4 above, should the Inspection Report indicate a deficiency or unsatisfactory condition with respect to any item listed thereon, and Franchisor or Franchisor's agent are required to return to the Restaurant to re-inspect the

Restaurant, Franchisor will charge Franchisee a Re-Inspection Fee for each subsequent visit to Franchisee's restaurant after the initial inspection. Franchisee will give Franchisor authorization to pay the Re-Inspection Fee as a direct debit from Franchisee's Operating Account. Should there be two (2) consecutive Inspection Reports both indicating a deficiency or unsatisfactory condition with respect to any item listed thereon, and Franchisor or Franchisor's agent are required to return to the Restaurant to provide a coaching session to Franchisee; or should Franchisor determine in our sole and absolute right that a coaching session is required at the Restaurant due to certain circumstances, Franchisor will charge Franchisee a Coaching Fee for each Coaching session at Franchisee's restaurant. Franchisee will give Franchisor authorization to pay each Coaching session visit charge as a direct debit from Franchisee's Operating Account.

15.6. In the event that the Restaurant operations threatened health or public safety or materially adversely affected the ownership, condition or operation of the Restaurant or adversely affect the El Pollo Loco brand or goodwill, Franchisee must (i) immediately report such issue to Franchisor by immediately contacting the assigned Director, Franchise Business (or equivalent) and if unable to speak directly with the assigned Director, by immediately contacting the Support Center and (ii) compensate Franchisor, or reimburse Franchisor for all fees, costs or expenses, use of internal and external resources, taxes or other types of charges which Franchisor pays on Franchisee's behalf to third parties or that Franchisor directly incurs, including payments to taxing authorities, governmental agencies, suppliers, contractors and insurance carriers, for products, services, loss in sales or revenue, supplies, equipment, goods, materials or inventory when Franchisee's Restaurant operations or nonpayment threatens health or public safety or materially adversely affects Franchisee's ownership, condition or operation of your Restaurant or materially adversely affects the "El Pollo Loco" brand or goodwill. While Franchisor has the sole and absolute right to make such payments as described above on behalf of Franchisee, it is not Franchisor's obligation to do so. Franchisor's decision to make payments on behalf of Franchisee is not in lieu of Franchisor's right to terminate your Franchise Agreement.

16. TRAINING

16.1. Franchisee acknowledges and agrees that it is important to the operation of the Restaurant that Franchisee and its employees receive such training as Franchisor may require from time to time. Therefore:

a. The Restaurant must be managed by not less than four (4) individuals as a General Manager or Assistant Manager who have successfully completed Franchisor's management training program; or a Shift Leader trained by your General Manager and Assistant Manager at your Restaurant if your Restaurant is certified as a training restaurant prior to any training taking place; and who have received the ServSafe® certification and who will assume responsibility for the day to day management of the operations of the Restaurant, including the preparation of food products, accounting, and the supervision and training of personnel ("**Managers**") The Managers may consist of a combination of the following: a General Manager or Assistant Manager,

each who has successfully completed Franchisor's management training program or a Shift Leader. The Managers may be required to sign a confidentiality agreement in a form approved by Franchisor. Each and every shift during operating hours must have a Manager in charge that is certified and trained in Franchisor's initial training program and is ServSafe® certified.

b. If at any time, for any reason, the General Manager ceases to perform those duties on behalf of the Restaurant, Franchisee must promptly designate a substitute General Manager who does meet the above-stated qualifications.

c. If this is Franchisee's first EPL Restaurant, Franchisee must also attend and satisfactorily complete Franchisor's management training program. If Franchisee appoints an Operations Director to oversee franchise activities, this Operations Director is subject to Franchisor's prior written approval and must satisfactorily complete Franchisor's management training program and Franchisee must complete either Franchisor's management training program or the Executive Franchisee Training Program. Such training shall be completed prior to the opening of the Restaurant.

d. Franchisee's Operations Director shall be actively engaged in the management and day to day operations of the restaurant and devote full time and best efforts to the supervision of EPL Restaurant(s) owned by Franchisee. If at any time, for any reason, the Operations Director ceases to perform those duties on behalf of the Restaurant(s), Franchisee shall appoint a new Operations Director within 30 days, and the newly appointed Operations Director must satisfactorily complete Franchisor's management training program within 90 days of appointment at Franchisee's expense; or, Franchisee shall assume the duties of the Operations Director and complete Franchisor's management training program within 120 days (if not previously completed).

e. Franchisee shall implement a training program for Franchisee's employees in accordance with training standards and procedures prescribed by Franchisor and shall staff the Restaurant at all times during the term of this Agreement with a sufficient number of trained employees.

f. Franchisor may provide continuing operations training from time to time to reinforce operational standards, and new product roll-outs. The required frequency, duration, subject matter and required attendees shall be as determined by Franchisor from time to time.

g. In addition to the initial management training session described above, Franchisor may, at Franchisor's sole option (and if the Restaurant is Franchisee's or its affiliate's first EPL Restaurant, Franchisor shall) assist Franchisee in the initial opening of the Restaurant by sending to the Restaurant a member of Franchisor's personnel who shall assist in the scheduled opening of the Restaurant.

h. The Restaurant shall not be opened until Franchisor is satisfied that Franchisee and Franchisee's Managers and other restaurant personnel have been adequately trained in the El Pollo Loco® System.

16.2. Franchisor shall provide training as described in Section 16.1 without additional charge to Franchisee, provided that Franchisee does not request Franchisor to provide Franchisor's management training program to more than four Managers for the first, second and third Restaurants owned by Franchisee, or more than one Executive Franchisee Training Program, or more than one Franchisor's management training program for franchisee or Operations Director in total. Franchisor shall charge franchisee a training fee of $2,000 per Manager for the fifth and each subsequent Manager for the first, second and third Restaurants owned by Franchisee and for each Manager trained for the fourth and subsequent Restaurants owned by Franchisee, and up to $2,000 per Executive Franchisee Training Program beyond one executive in total, or Franchisor's management training program for franchisee or Operations Director beyond one franchisee or Operations Directors in total. Franchisee understands and agrees that Franchisee and any Manager shall be solely responsible for any and all costs incurred by them with respect to such training, including costs for compensation, wages (including compensation of and worker's compensation insurance), lodging, travel expenses or any other expenses incurred in connection with any initial training sessions, Franchisor's management training program, Executive Franchisee Training Program, refresher courses or optional or required training program, and any such Manager shall not be considered an employee or agent of Franchisor.

17. ASSIGNMENT

17.1. Assignment by Franchisor. Franchisor shall have the right to assign or transfer any of its rights or delegate any of its obligations under this Agreement in whole or in part to any person, firm or corporation without any consent or approval from Franchisees; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the obligations of Franchisor hereunder:

a. The assignee shall expressly assume and agree to perform such obligations of Franchisor in writing; and

b. From and after the date of any such assignment, Franchisor shall have no further obligation or liability under this Agreement.

17.2. Assignment by Franchisee. The rights and duties created by this Agreement are personal to Franchisee. Franchisee acknowledges that Franchisor has entered into this Agreement in reliance on the individual or collective character, skill, aptitude, business ability, and financial capacity of Franchisee and its owners. Franchisee and each owner of an interest in this Agreement represent, warrant, and agree that all "Interests" in Franchisee are owned in the amount and manner in which Franchisee has disclosed them to Franchisor, as more particularly set forth in **Schedule 1** to this Agreement. (An "**Interest**" means any shares or partnership interests in

Franchisee and any other legal or equitable right in any of Franchisee's stock, revenues, profits, rights or assets. When referring to Franchisee's rights or assets, an "**Interest**" also includes this Agreement and Franchisee's rights under and interest in this Agreement, the Restaurant and the revenues, profits or assets of the Restaurant.) Franchisee and each owner also represent, warrant and agree that no change will be made in the ownership of an Interest other than as permitted by this Agreement or as Franchisor may otherwise approve in writing. Franchisee and each owner agree to furnish Franchisor with evidence as Franchisor may request from time to time to assure that the Interests of Franchisee and each owner remain as permitted by this Agreement, including a list of all persons or entities owning any Interest. If Franchisee is a Business Organization, Franchisee shall cause each of the owners of any equity ownership in Franchisee to execute an agreement granting Franchisor an option to purchase each of such owner's Interest in Franchisee upon an Assignment as provided in this Section 17.

17.3. Neither this Agreement nor any Interest herein nor any Interest of Franchisee or any owner may be indirectly or directly, sold, transferred, assigned, conveyed, gifted, pledged, mortgaged, or otherwise encumbered ("**Assignment**") without Franchisor's prior written approval. Any such purported Assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee and shall be null and void. Except in the instance of Franchisee advertising to sell its Restaurant and assigning this Agreement in accordance with the terms thereof, Franchisee shall not, without Franchisor's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior décor, items, supplies, fixtures, equipment, Franchisee's lease or the real or personal property used in connection with the Restaurant. This Agreement may not be transferred by Franchisee to a publicly-held entity, or to any entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any direct or indirect owner of Franchisee may be offered for sale through the public offering of securities.

17.4. In the event that Franchisee desires to make an Assignment including assigning all or any part of its rights, privileges and interests under this Agreement, Franchisee shall first offer such Assignment to Franchisor by notifying Franchisor in writing of the material terms and conditions, including price and identity of transferee upon which Franchisee would be willing to make such an Assignment. Franchisee shall also concurrently provide Franchisor with the estoppel certificate identified in Section 17.7 below and such other information as determined by Franchisor to enable Franchisor to evaluate the offer. Franchisor shall have the first right to acquire said rights, privileges and interests of Franchisee by accepting the offer in accordance with said terms and conditions or equivalent cash, as determined by Franchisor in its reasonable business judgment.

a. If the Assignment will be in the aggregate more than fifty percent (50%) of any one class of outstanding capital stock, the voting power, membership interests, partnership interest or other Interest in Franchisee occurring within thirty-six (36) months prior to the date of the Assignment, (a "**Majority Interest**"), then Franchisor

shall have the option to purchase not only the Majority Interest being transferred, but also the remaining Interest, so that the ownership of Franchisor will be one hundred percent (100%). Any purchase of such remaining Interest shall be valued on a basis proportionate to the price of the Interest initially being offered.

b. If, within thirty (30) days after receipt of Franchisee's notice, Franchisor advises Franchisee of its acceptance of the offer as stated in the notice, Franchisee shall promptly make the Assignment to Franchisor on the stated terms and conditions. Should Franchisor elect to exercise its right of first refusal, Franchisee shall, if requested by Franchisor, cause Franchisee's lease or sublease, if any, with the lessor for the Location to be assigned to Franchisor (or, if the Location is owned by Franchisee, Franchisee shall lease the Location to Franchisor on commercially reasonable terms applicable in that market). Notwithstanding the foregoing, Franchisor shall have at least sixty (60) days from the date of its notice of exercise to Franchisee to close the transaction and Franchisor shall also be entitled to all customary and reasonable representations and warranties from Franchisee regarding the Franchisee's business or any other interest being conveyed.

c. Notwithstanding the provisions of this Section 17.4, Franchisor will waive Franchisor's right of first refusal if the assignee is a revocable family trust for which Franchisee is the controlling trustee and Franchisee's immediate family members are beneficiaries provided such Assignment is not considered a Majority Interest. An immediate family member is defined as a parent; sibling; child by blood, adoption, or marriage; spouse or significant other; grandparent or grandchild.

17.5. If, within thirty (30) days after receipt of Franchisee's notice, Franchisor does not indicate its acceptance of the offer as stated in the notice, Franchisee shall thereafter have the right, subject to the prior written consent of Franchisor, to make the Assignment to the proposed transferee on the same terms and conditions as stated in the notice. Should Franchisor not exercise its right of first refusal and should the contemplated Assignment not be completed within one hundred (120) days from the date of Franchisee's notice, or should the terms and conditions thereof (including the proposed transferee or the ownership therein) be altered in any material way, this right of first refusal shall be reinstated and any such subsequent proposed Assignment or altered terms and conditions of the current transaction must again be offered to Franchisor in accordance with the terms of these Sections 17.4 and 17.5.

17.6. Franchisee shall notify Franchisor in writing of any proposed assignee and shall promptly furnish Franchisor with such other information and documentation as Franchisor may request for the purpose of considering whether to grant its written consent. Franchisee acknowledges and agrees that Franchisor shall be entitled, at its election and without liability to Franchisee, to provide assignee with information relating to the Restaurant, including information in Franchisor's possession relating to operations and sales. Franchisor shall not unreasonably withhold its consent to an Assignment provided that Franchisee and the assignee satisfy such reasonable terms and conditions

which may be imposed by Franchisor as a condition to obtaining Franchisor's consent, which may include, without limitation, the following:

a. The assignee (and its partners or the officers, directors, principal shareholders, or members of the assignee, as the case may be) shall be subject to the determination by Franchisor:

i. To have the appropriate business qualifications, restaurant operations experience, reputation, character, and aptitude necessary to operate and maintain the Restaurant;

ii. To have the ability to devote full time and best efforts to operating and maintaining the Restaurant;

iii. To be financially responsible, possess a favorable credit rating, be economically capable of carrying on the Restaurant business and have sufficient net worth as required by Franchisor for new franchisees;

iv. To not have been convicted of criminal misconduct that is relevant to the operation or ownership of the Restaurant or of any felony;

v. Shall neither directly nor indirectly own, operate, control or have any financial interest in any other business which would constitute a "**Competitive Business**" (as such term is defined in Section 21.7 of this Agreement); and

vi. Shall have demonstrated to Franchisor's satisfaction that assignee meets all of Franchisor's then-current requirements for new El Pollo Loco® franchisees, which requirements are subject to change by Franchisor from time to time as its sole and absolute right.

b. The assignee shall expressly assume in writing, via the Consent to and Assignment of Franchise Rights attached hereto as **Exhibit 9** of the Franchise Agreement, all of the obligations and liabilities of and enter into Franchisor's then-current form of Franchise Agreement, which may contain provisions including royalty and advertising fees, materially different from those contained herein; provided, however, that the term of such new agreement shall be equal to the then-remaining term of this Agreement and assignee shall not be required to pay a new initial franchise fee. If the assignee is a partnership, corporation, limited liability company or other legal entity, then all partners, shareholders, and members of assignee that (i) hold at least a ten percent (10%) interest in assignee and/or (ii) upon whose net worth Franchisor is relying in determining that the assignee has met Franchisor's financial minimum requirements for approval must sign the Personal Guarantee and any related documents in their individual capacity, agreeing to guarantee the obligations and liabilities of the assignee under the Franchise Agreement and to be individually bound by the terms of the Franchise Agreement as if they were a party to the Franchise Agreement. If a new partnership, corporation, limited liability company or other legal entity, at any time (including after an

assignment), becomes the Franchisee or part of the Franchisee, that partnership, corporation, limited liability company or legal entity, as well as all holders of ten percent (10%) interest or more in assignee, as applicable, shall execute a Personal Guarantee, guaranteeing each of Franchisee's obligations and liabilities under the Franchise Agreement and agreeing to be individually bound by the terms of the Franchise Agreement as if they were a party to the Franchise Agreement. If the assignee is a corporation, partnership or limited liability company, it also shall demonstrate to the reasonable satisfaction of Franchisor that it has established transfer instructions prohibiting the transfer on its records of any equity securities, partnership interests or ownership interests in violation of the requirements set forth in this Section 17 and that each stock, partnership or ownership certificate of Franchisee shall have conspicuously endorsed upon its face a statement in form satisfactory to Franchisor that the assignment or transfer is subject to all of the restrictions imposed upon assignments by this Agreement;

c. The assignee or the assignor agrees to the reimage and/or remodel of the Restaurant to Franchisor's then-current standards, format, design and image, as designated pursuant to plans and specifications provided by Franchisor. Franchisee will have a specified period of time to complete the required reimage and/or remodel of the Restaurant. The required reimage and/or remodel of the Restaurant must be completed to Franchisor's satisfaction. Should the required reimage and/or remodel of the Restaurant not be completed to Franchisor's satisfaction, then Franchisor may terminate the Franchise Agreement under Section 18, entitled Default and Termination;

d. A copy of the Personal Guarantee required to be executed pursuant to this Section 17 is attached hereto as **Exhibit 2**. All other individuals with an ownership interest in the entity (who are not required to execute the Personal Guarantee) will be considered "**Investors**" and will be required to execute the "**Investor Covenants Regarding Confidentiality and Non-Competition**" which is attached hereto as **Exhibit 3**;

e. The assignee shall represent and warrant to Franchisor in writing that the assignee:

i. Has conducted an independent study of the Restaurant and the business therein;

ii. Has not in any way relied upon statements or representations of Franchisor or its employees or agents except as may be contained in a Disclosure Document or other comparable Disclosure Document which may be required to be delivered to such assignee in accordance with applicable law; and

iii. Acknowledges and understands that the assignee's rights upon assignment are conditioned on full performance of Franchisee's obligations hereunder and are limited to those expressly provided for in this Agreement.

f. As of the date of such assignment, Franchisee shall have fully performed and complied with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor;

g. Franchisee shall pay and discharge all outstanding obligations to Franchisor and to third parties arising from the existence, operation or maintenance of the Restaurant including, without limitation, amounts owing under this Agreement, the lease, if any, for the Location or to employees, suppliers, taxing authorities, utility companies and others as of the assignment date;

h. Franchisee shall pay to Franchisor a transfer fee to reimburse Franchisor for costs and expenses incurred in connection with such Assignment, including, without limitation, the cost of credit investigations and the preparation of Assignment agreements and Franchise Disclosure Documents which may be required to be delivered to such assignee under applicable federal or state law. If the Assignment is to a new franchisee under the El Pollo Loco® System, the transfer fee shall be forty percent (40%) of the then-current Initial Fee being charged to new franchisees entering the El Pollo Loco® System. If the Assignment is to an existing franchisee under the El Pollo Loco® System, the transfer fee shall be twenty-five percent (25%) of the then-current Initial Fee being charged to new franchisees entering the El Pollo Loco® System. If the assignee is a revocable family trust for which Franchisee is the controlling trustee and Franchisee's immediate family members are beneficiaries, no transfer fee will be payable to Franchisor, although Franchisee must reimburse Franchisor for Franchisor's reasonable expenses in the amount of $500.00; and

i. In conjunction with granting the consent of Franchisor to any Assignment, Franchisee shall execute a general release, in form and substance satisfactory to Franchisor, of all claims against Franchisor and any affiliates of Franchisor.

17.7. Upon Franchisor's request, Franchisee shall, concurrently with any offer submitted to Franchisor by Franchisee regarding a transfer or purported Assignment or at any other time at Franchisor's request, furnish Franchisor with an estoppel agreement indicating any and all claims, demands and causes of action, if any that Franchisee may have against Franchisor or if none so exist, so stating, and a list of all owners having an interest in this Agreement or in Franchisee, the percentage interest of each owner and a list of all officers, directors, members and/or shareholders in such form as Franchisor may require.

17.8. Any Assignment including any encumbrance, assignment or purported encumbrance or assignment of Franchisee's rights, privileges or interests under this Agreement without Franchisor's written consent shall be null and void, of no force and effect, and shall constitute grounds for termination of this Agreement as provided in Section 18 hereof.

17.9. Any assignment based upon the legal incapacity of Franchisee, whether by operation of law or otherwise, shall be subject to Franchisor's written consent and right of first refusal as provided herein.

17.10. If this Agreement is assigned, Franchisee shall remain liable to Franchisor for the obligations under this Agreement and the obligations of the assignee hereunder and which arise as a result of acts, events or omissions which occur prior to the effective date of the assignment or within the initial term of this Agreement; provided, however, that the foregoing limitation on liability shall not reduce Franchisee's continuing liability to the extent that Franchisee is a partner, shareholder or owner of an interest in the assignee. Franchisor's consent to any transfer hereunder shall not constitute a waiver or release of any claims it may have against Franchisee as of the date of the assignment.

17.11. Any transfer of this Agreement, or any interest in this Agreement, or franchisee by will or intestate succession, or the sale of this franchise, or any interest in Franchisee constituting a Majority Interest by the executor or administrator of Franchisee's or such shareholder's or person's estate, shall be considered to be a transfer requiring compliance with the provisions of this Section 17, including the requirements concerning Franchisor's written approval of the assignee, the assignee's qualifications and training, and the execution of agreements. In the event Franchisor does not approve the qualifications of any heir or beneficiary to operate the Restaurant, the executor or administrator of Franchisee's estate shall have a period of twelve (12) months following written disapproval to sell the franchise business to an assignee acceptable to Franchisor, during which twelve (12) month period the Restaurant shall be operated in accordance with all the terms and provisions of this Agreement. Such sale shall be subject to Franchisor's right of first refusal pursuant to this Section 17. If such a sale is not concluded within that period, Franchisor may terminate this Agreement.

17.12. If, for convenience of ownership, Franchisee desires to assign this Agreement to a Business Organization to hold its interest in this Agreement, Franchisor will consent to the assignment of this Agreement to a Business Organization, provided that (i) none of the securities of an Business Organization shall be traded on any public exchange or over the counter market; (ii) the certificates or other evidence of ownership held by the owner thereof shall contain a restriction on transfer referencing this Franchise Agreement, in a form required by Franchisor; (iii) the ownership of the assignee Business Organization shall be in the same proportion as the ownership of Franchisee immediately prior to the transfer; and (iv) none of the shares of stock, membership interests, voting power, equity or ownership interests in the assignee Business Organization shall be held by or for the benefit of a business competitor of Franchisor. Franchisee shall pay an administrative fee of Five Hundred Dollars ($500) per transfer for each transfer to a Business Organization, or for each transfer of ownership amongst existing owners where such transfer is for the convenience of ownership only. At the time of request for a transfer for the convenience of ownership, Franchisee shall submit the following documents to Franchisor and Franchisor shall review, approve and/or disapprove such documents within thirty (30) days thereafter:

a. For an assignment to a corporation, Franchisee shall provide to Franchisor a (i) file stamped copy of the Articles of Incorporation (or comparable organizational document) and By-laws of the proposed assignee corporation, (ii) a sample stock certificate, (iii) a Certificate of Good Standing in the state in which the corporation is authorized to do business and the state in which the corporation will conduct the restaurant business pursuant to this Franchise Agreement, and (iv) a list of directors, shareholders and officers and their percentage ownership of the stock of the corporation. Each share certificate of a corporation shall contain a restriction on transfer in a form designated by Franchisor.

b. For an assignment to a partnership, Franchisee shall provide to Franchisor a (i) file stamped copy of the Certificate of Limited Partnership (if applicable) or the Statement of Partnership, and (ii) a copy of the fully executed Partnership Agreement, containing an exhibit showing the percentage of ownership in the partnership by all partners. The partnership agreement shall contain a restriction on transfer in a form designated by Franchisor.

c. For an assignment to a limited liability company, Franchisee shall provide to Company (i) Certificate of Formation (or comparable organizational document) of Limited Liability Company; (ii) a fully executed copy of the Operating Agreement, containing an exhibit showing the percentage of ownership of all members in the limited liability company; and (iii) the name of the Manager or Managers of the limited liability company. The operating agreement shall contain a restriction on transfer in a form designated by Franchisor.

d. Franchisee acknowledges that the purpose of the restrictions on transfer referenced in Sections 17.12(a) through 17.12(c) above is to protect Franchisor's trademarks, service marks, trade secrets, and operating procedures as well as the Franchisor's general high reputation and image, and is for the mutual benefit of Franchisor, Franchisee and other franchisees of the Franchisor. Franchisor shall not unreasonably restrict the issuance or transfer of stock or interests in a partnership or limited liability company, provided that, in no event, shall any share of stock of such assignee corporation, or an interest in a partnership or limited liability be sold, assigned or transferred to a business of a competitor of Franchisor or anyone of ill repute.

17.13. Where Franchisee desires to add new principals to the Franchisee entity, Franchisee shall pay to Franchisor an additional Two Thousand Five Hundred Dollars ($2,500) per new principal to cover Franchisor's administrative costs for reviewing the application and suitability of each new principal as participants in the franchise business.

17.14. In connection with a sale by Franchisee of all or substantially all of the assets relating to the Restaurant business, Franchisee may take a security interest in the Restaurant and the purchaser's rights under this Agreement in order to secure any financing that Franchisee provides to the purchaser for the purchase of the Restaurant. In the event of a default under such financing arrangement and the exercise by Franchisee of its rights under such security interest, Franchisee or the individual(s)

purchasing the Restaurant out of a foreclosure sale may become the franchisee under this Agreement, subject to its compliance with each of the requirements set forth in this Section 17.

18. DEFAULT AND TERMINATION

18.1. In addition to all other available rights and remedies, Franchisor shall have the right to terminate this Agreement only for "**cause**". "**Cause**" is hereby defined as a material breach of this Agreement, including but not limited to any of the facts or circumstances specified in Sections 18.2, 18.3, or 18.4.

18.2. In addition to all other available rights and remedies, Franchisor shall have the right upon the occurrence of any of the following events to immediately terminate this Agreement by giving written notice to Franchisee.

a. Abandonment of the Restaurant by Franchisee by failing to operate the Restaurant business for five (5) consecutive days or any shorter period of time after which Franchisor reasonably determines that Franchisee does not intend to continue to operate the business, unless such failure is due to fire, flood, earthquake or other similar cause beyond Franchisee's control, in which case Franchisee shall comply with each of the requirements set forth in Section 23.17;

b. Franchisee admits to an inability to pay its debts as the same become due, is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or Franchisee admits its inability to pay its debts as they come due;

c. A levy of execution is made upon the Restaurant, the license granted by this Agreement or upon any property used in the Restaurant business, and it is not discharged within five (5) days of such levy;

d. The Restaurant business, equipment or premises are seized, taken over or foreclosed by a creditor, lienholder or lessor, or a final judgment rendered against Franchisee remains unsatisfied for at least thirty (30) days and a supersedeas or other appeal bond has not been filed;

e. The right to occupy or lease the Location is lost or terminated and Franchisee has not relocated the Restaurant, if permitted, pursuant to Section 23.17;

f. Franchisee or any of its partners, officers, directors or principal shareholders is convicted of any criminal misconduct that is relevant to the operation or ownership of the Restaurant or any felony;

g. The failure of Franchisee to reach each milestone and to open and operate the Restaurant in accordance with and by the time set forth in Section 4.1;

h. Any purported Assignment, including the transfer or sublicense of this franchise, or any right hereunder, without the prior written consent of Franchisor;

i. Any material misrepresentation is made by Franchisee in connection with the acquisition of the franchise herein;

j. Franchisee engages in conduct which reflects materially and unfavorably upon the operation, the reputation of the Restaurant business, the El Pollo Loco® System, or the goodwill associated with the El Pollo Loco® Marks;

k. Franchisee on three or more occasions fails to comply with one (1) or more material standards or requirements of this Agreement (or as specified in the Manual), whether or not corrected after notification thereof;

l. A repetition within a one-year period of any default (whether or not that earlier default was corrected after notification thereof) shall justify Franchisor in terminating this Agreement upon written notice to Franchisee without allowance for any curative period;

m. Failure of Franchisee, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation and maintenance of the Restaurant, including, but not limited to, public health and safety requirements;

n. Reasonable determination on the part of Franchisor that continued operation of the Restaurant by Franchisee will result in an imminent danger to public health or safety;

o. Except for noncompliance otherwise covered by Section 18.2.k above, failure of Franchisee to correct a deficiency or unsatisfactory condition referred to in an Inspection Report (discussed in Section 15 hereof) which Franchisor reasonably determines may have a material adverse effect on the ownership or operation of the Restaurant after having received a reasonable opportunity to cure such deficiency or unsatisfactory condition, which in no event need be more than thirty (30) days;

p. In the event that Franchisee leases or subleases the Location and/or the leasehold improvements thereon from a third party, the failure of Franchisee to cure any and all defaults under the terms and provisions of any such lease or sublease within the time provided for the curing of any such default(s) in any such lease or sublease;

q. Any misrepresentation by Franchisee or any violation of the Anti-Terrorism Laws by Franchisee or its employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's Affiliates.

18.3. Except for any default by Franchisee under Section 18.2, or as otherwise expressly provided in this Agreement, Franchisee shall have 10 days (5 days in the case of any default in the timely payment of sums due to Franchisor or its affiliates or to vendors for any products, services or required fees due to such vendors), after Franchisor's written notice of a material default within which to remedy any material default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as applicable law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

18.4. Franchisee shall be in material default under this Section for any failure to comply with any of the requirements imposed by this Agreement. Such material defaults shall include, but are not limited to, the occurrence of any one or more of the following events:

a. Failure of Franchisee to pay to Franchisor, its affiliates or any third-parties any fees, costs, charges or other amounts due;

b. Failure of Franchisee to pay when due any rent, taxes or other payments required under any sublease with Franchisor for the Location;

c. Failure of Franchisee to cure any default by Franchisee under any loan, note or other obligation which is obtained to assist Franchisee to make any payment due Franchisor hereunder or which is secured by all or any part of Franchisee's interest in the Restaurant, the Location, and/or the improvements or furniture, fixtures or equipment therein;

d. The attachment of any involuntary lien in the sum of One Thousand Dollars ($1,000.00) or more upon any of the business assets or property of Franchisee, which lien is not removed, or for which Franchisee does not post a bond sufficient to satisfy such lien, within thirty (30) days of the filing of such lien;

e. The failure of Franchisee and/or its affiliates to cure any and all defaults under the terms and provisions of any other agreement with Franchisor, or any third party relating to this franchise or the operation or ownership of the Restaurant, including any other Franchise Agreement, lease or promissory note between Franchisor or its affiliate and Franchisee within the time provided for the curing of any such defaults in any such other agreement, lease or promissory note;

f. Franchisee's misuse or unauthorized use of the El Pollo Loco® Marks;

g. Failure of Franchisee to comply with any standard or requirement of this Agreement which is not otherwise covered in this Section 18.

18.5. Notwithstanding anything to the contrary contained in this Section 18, in the event any valid, applicable law of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof.

18.6. Franchisor shall not, and cannot be held in breach of this Agreement until (i) Franchisor has received written notice from Franchisee describing in detail any alleged breach; and (ii) Franchisor has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than 60 days plus such additional time as reasonably required by Franchisor if because of the nature of the alleged breach it cannot reasonably be cured within said 60 days, provided Franchisor promptly commences and continues diligently to cure such alleged breach. Except for breach hereof by Franchisor (subject to the preceding sentence) or as permitted under Section 23.17 hereof, Franchisee shall have no right to terminate this Agreement.

19. RIGHTS AND OBLIGATIONS UPON TERMINATION

19.1. In the event of expiration or earlier termination of this Agreement:

a. Franchisee shall promptly cease to use, in any manner and for any purpose, directly or indirectly, the El Pollo Loco® Marks, the El Pollo Loco® System, Franchisor's trade secrets, proprietary information, policies, procedures, techniques, methods and materials used by Franchisee in connection with the franchise relationship and shall immediately return to Franchisor, or certify as destroyed any and all (including electronic) copies of any of the foregoing, including, but not limited to:

i. Specifications, recipes and descriptions of food products;

ii. The Manual, memoranda, bulletins, forms, reports, instructions and supplements thereto;

iii. Training methods and materials provided by Franchisor hereunder;

iv. Brochures, posters and other advertising materials; and

v. All items bearing or containing the El Pollo Loco® Marks, including without limitation, all trademarks, trade names, service marks, logotypes, designs and other identifying symbols and names pertaining thereto.

b. Franchisee shall immediately remove, obliterate or destroy all Signs and advertisements identifiable in any way with Franchisor's name and perform such reasonable redecoration and remodeling of the Restaurant and the Location as may be necessary, in Franchisor's judgment, to distinguish it from an El Pollo Loco® restaurant. To the extent that Franchisor is required under applicable law to repurchase certain goods from Franchisee, Franchisee hereby grants to Franchisor the option to purchase all paper goods, containers and all other items containing Franchisor's name or the El Pollo Loco® Marks which are in re-saleable or reusable condition at the lower of their cost or fair market value at the time of termination;

c. Franchisor may retain all fees paid pursuant to this Agreement;

d. On any termination or expiration of this Agreement, whether due to a default of Franchisee or otherwise, Franchisor shall have the right, at its option, for thirty (30) days after such termination or expiration to elect to purchase Franchisee's interest in the leasehold improvements and furniture, fixtures, equipment, and any or all of the other tangible Restaurant assets (collectively, "**Assets**") at a purchase price equal to the lesser of Franchisee's cost or the fair market value of such Assets, and to purchase Franchisee's inventory at Franchisee's cost thereof. If the parties hereto cannot agree on the fair market value for the Assets within forty-five (45) days of any such date of termination or expiration, Franchisor shall designate an independent appraiser whose determination shall be binding. If Franchisor elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from Franchisee and the costs of the appraisal, if any, against any payment therefor;

e. Should Franchisee fail to perform any of these tasks, the Franchisor's personnel and representative shall have the right to enter the Restaurant at any time, with or without notice, for the purposes of removing all trademarks, trade names, service marks, logotypes, designs and other identifying symbols and names pertaining to El Pollo Loco brand and to remove, obliterate or destroy all Signs and advertisements identifiable in any way with Franchisor's name and perform such reasonable redecoration and remodeling of the Restaurant and the Location as may be necessary, in Franchisor's judgment, to distinguish it from an El Pollo Loco® restaurant. The cost of performing this will be billed to Franchisee and payable within five (5) days of receipt of invoice; and

f. Franchisee shall comply with the covenants set forth in Section 21.7 of this Agreement.

19.2. Upon the expiration or termination of this Agreement, Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries and affiliates. In the event of termination by reason of any default of Franchisee, such sums shall include all damages (including, but not limited to, any lost future royalties and advertising fees), costs and expenses (both internal and external), including reasonable attorneys' fees (both internal and external), incurred by Franchisor as a result of the default, which obligation to pay all such sums shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, Signs,

fixtures, and inventory owned by Franchisee located in the Restaurant operated hereunder at the time of any such default. Franchisee shall pay interest to Franchisor on any amounts which may become due to Franchisor from Franchisee, if such are not paid when due, at the rate of fifteen percent (15%) per annum or the maximum interest rate permitted by law, whichever is less.

19.3. The expiration or termination of this Agreement shall be without prejudice to the rights and remedies of Franchisor against Franchisee. Furthermore, such expiration or termination shall neither release Franchisee or any of its obligations and liabilities to Franchisor existing at the time thereof nor terminate those obligations and liabilities of Franchisee which, by their nature, survive the expiration or termination of this Agreement.

19.4. Upon expiration or termination of this Agreement, Franchisor may remove all references to the Franchise and/or to the Restaurant from its website(s).

19.5. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of any of the provisions of this Section 19, including the covenants in Section 21.7. Franchisee agrees to pay all costs and expenses (both internal and external), including reasonable attorneys' fees (both internal and external) incurred by Franchisor in connection with the enforcement of this Section 19.

20. RIGHTS TO A SUCCESSOR FRANCHISE

20.1. Franchisee shall have the right, subject to the conditions contained in this Section 20.1, to acquire a successor franchise for the Restaurant on the terms and conditions of Franchisor's then-current form of Franchise Agreement and for a term of ten (10) years (a "**Successor Term**") commencing on the expiration of the term of this Agreement. The then-current form of franchise agreement may have different terms and conditions such as a different protected area, higher royalty and/or advertising fees, no additional successor or renewal term upon expiration and other modifications to reflect that the then-current form of franchise agreement relates to the grant of a renewal. Franchisee's right to a successor franchise shall be conditioned upon the satisfaction of each of the following conditions prior to the expiration of the term of this Agreement: (a) Franchisee is in compliance with this Agreement in all respects including financial and operational compliance and has been in substantial compliance with this Agreement throughout the term; (b) Franchisee meets Franchisor's then-current criteria for renewing franchisees, which includes but is not limited to financial and operational standards; (c) Franchisor has not notified Franchisee of its decision that any federal or applicable state legislation, regulation or rule which is enacted, promulgated or amended after the date hereof may have an adverse effect on Franchisor's rights, remedies or discretion in franchising El Pollo Loco® restaurants; (d) Franchisee maintains the right to possession of the Location for the term of the successor Franchise Agreement; (e) Franchisee shall have paid the renewal fee described in the final sentence of this Section 20.1; and (f) Franchisee satisfies each of the conditions and executes and delivers the agreement

described in Sections 20.2, 20.3 and 20.4 below. At the time of exercise, Franchisee will be obligated to pay a renewal fee equal to 50% of Franchisor's then-current standard initial franchise fee if Franchisee elects a Successor Term. Solely as Franchisor's sole and absolute right to determine, Franchisee may be offered a successor franchise for a term different than the standard ten (10) years to run concurrent with the remaining term of the (sub)lease for where the Restaurant is located. This pro-rated term successor Franchise Agreement ("**Pro-rated Successor Franchise Agreement**") will use the then-current form of Franchise Agreement (modified as described above). In order to qualify for the Pro-rated Successor Franchise Agreement, Franchisee must meet the same conditions listed above from (a) to (f) and Franchisee will be obligated to pay a renewal fee equal to 50% of Franchisor's then-current standard initial franchise fee pro-rated to the remaining (sub)lease term.

20.2. Franchisee must give Franchisor written notice of Franchisee's desire to acquire a successor franchise at least three hundred sixty (360) days prior to the expiration of this Agreement. Franchisor will give Franchisee notice, not later than sixty (60) days after receipt of notice, of Franchisor's decision as to whether or not Franchisee has the right to acquire a successor franchise pursuant to Section 20.1. Notwithstanding notice of Franchisor's decision that Franchisee has the right to acquire a successor franchise for the Restaurant, Franchisee's right to acquire a successor franchise will be subject to Franchisee's continued compliance with all of the terms of this Agreement up to the date of its expiration.

20.3. If Franchisee exercises the right to acquire a successor franchise in accordance with Section 20.2 above, Franchisee shall enter into an agreement with Franchisor within sixty (60) days following delivery of the written notice pursuant to Section 20.2, agreeing to remodel the Restaurant, add or replace improvements, fixtures, furnishings, equipment and Signs, and otherwise modify to upgrade the Restaurant to the specifications, image and standards then applicable for new El Pollo Loco® restaurants. All such remodeling, additions and replacements must be completed prior to the effective date of such successor Franchise Agreement.

20.4. If Franchisee has the right to acquire a successor franchise in accordance with Section 20.1 and exercises that right in accordance with Section 20.2, the parties must execute the form of Franchise Agreement (which may contain provisions, including royalty and advertising fees, materially different from those contained herein) and all ancillary agreements which Franchisor then customarily uses in granting renewal franchises for the operation of El Pollo Loco® restaurants, and Franchisee must execute general releases, in form and substance satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, officers, directors, employees, agents, successors and assigns. Failure by Franchisee to sign such agreements and releases within thirty (30) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to acquire a successor franchise.

21. PROPRIETARY RIGHTS AND UNFAIR COMPETITION

21.1. In the event of any claim of or challenge to Franchisee's use of the El Pollo Loco® Marks licensed under this Agreement, Franchisee shall immediately notify Franchisor in writing of the facts of such claim or challenge.

a. Franchisor shall protect and defend Franchisee against any claims or challenges arising out of Franchisee's proper use of the El Pollo Loco® Marks licensed hereunder.

b. Franchisor shall reimburse Franchisee for all damages for which it is held liable in any such proceeding; however, the foregoing obligations of Franchisor to protect, defend and reimburse Franchisee will exist only if Franchisee has used the name or mark which is the subject of the controversy in strict accordance with the provisions of this Agreement and the rules, regulations, procedures, requirements and instructions of Franchisor and has notified Franchisor of the challenge as set forth above.

c. Any action to be taken in the event of a claim or challenge to any of the El Pollo Loco® Marks shall be solely and absolutely within Franchisor's right to determine. Franchisor shall have the sole and absolute right to control any legal actions or proceedings resulting therefrom. Any actions taken to protect the El Pollo Loco® Marks shall also be within the sole and absolute right to determine and control of Franchisor. Franchisee shall cooperate fully with Franchisor in the prosecution or defense of any claim or challenge concerning any of the El Pollo Loco® Marks.

21.2. If it becomes advisable at any time, as the sole and absolute right of Franchisor, to modify or discontinue the use of any one or more of the El Pollo Loco® Marks or to use one or more additional or substitute names, marks or copyrights, Franchisee shall immediately comply with the instructions of Franchisor in that regard. In such event, the sole obligation of Franchisor will be to reimburse Franchisee for the actual costs, such as replacing sign faces, of physically complying with this obligation.

21.3. Franchisee acknowledges and agrees that at all times and in all respects, the El Pollo Loco® Marks are the sole property of Franchisor and that Franchisee has only a license to use such rights and marks according to the provisions hereof. Franchisee shall make no application for registration of any identifying name or mark licensed herein or similar thereto without the prior written consent of, and upon terms and conditions satisfactory to, Franchisor. Franchisee shall not register any of the El Pollo Loco® Marks, part thereof, or anything confusingly similar thereto, as a domain name, or use, or permit the usage of, any of the same in connection with any Internet web site or web page. Franchisee shall indicate the required trademark, service mark or copyright notices in the form specified by Franchisor in connection with its use of the El Pollo Loco® Marks. Franchisee shall take no action which will interfere with any of Franchisor's rights in and to the El Pollo Loco® Marks. Franchisee shall not, without Franchisor's prior written consent, sell, dispense or otherwise provide Franchisor's products or any El Pollo Loco

products bearing the El Pollo Loco® Marks, except by means of retail sales in, or delivered from, the Restaurant.

21.4. Intranet.

a. Franchisor may, at its option, establish and maintain an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the Manuals, updates thereto and other confidential information. Franchisor shall have sole and absolute right to determine and control all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely and may dismantle it at any time without Franchisor having any liability to Franchisee. (As used herein, the term "**Intranet**" shall mean an intranet, extranet or other communication network between and among Franchisor and Franchisee that is accessed by the Internet. As used herein, the term "**Internet**" shall mean collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio or other methods of electronic communication.)

b. If Franchisor establishes an Intranet, Franchisee shall have the privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) use of abusive, slanderous or otherwise offensive language in electronic communications; (ii) confidential treatment of materials that Franchisor transmits via the Intranet; (iii) password protocols and other security precautions; (iv) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet; and (v) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges that, as administrator of the Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

c. Upon receipt of notice from Franchisor that Franchisor has established the Intranet, Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications.

d. Franchisee shall contribute a reasonable amount, not to exceed $1,000.00 per year (which maximum amount shall increase at a rate of 3% per calendar year during the term of this Agreement, toward the cost of the Intranet's maintenance. Such contribution shall be established by Franchisor by not later than March 1 of each calendar year and shall be payable thirty (30) days thereafter.

e. If Franchisee shall breach this Agreement or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the Manuals and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manuals.

21.5. Franchisor has established a Website. As used herein, the term "**Website**" shall mean one or more Internet websites that may, among other things, provide marketing development operations and training materials, facilitate catering, take-out, curbside pickup and delivery orders, provide information about the System and the products and services which are offered on such Website and at restaurants operated under the El Pollo Loco® Marks.

a. Franchisor may, as its sole and absolute right to determine, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iv) substitute, modify, or rearrange the Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (1) comply with applicable laws, (2) respond to changes in market conditions or technology, and (3) respond to any other circumstances; (v) limit or restrict end-users access (in whole or in part) to the Website; and (vi) disable or terminate the Website without Franchisor having any liability to Franchisee.

b. The Website may include one or more interior pages that identifies restaurants operated under the El Pollo Loco® Marks, including the Restaurant, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.

c. Franchisor may, from time to time, establish a Franchisee Page. As used herein, the term "**Franchisee Page**" shall mean one or more interior pages of the Website dedicated in whole or in part to Franchisee's Restaurant. Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's execution of Franchisor's then-current participation agreement, and Franchisee's compliance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Such participation agreement may require Franchisee to pay a reasonable fee (not to exceed $1,000.00 per year, which maximum shall increase at a rate of 3% per year for the term of this Agreement) for the privilege of

having a Franchisee Page, and may include, without limitation, specifications and limitations for the data or information to be posted to the Franchisee Page, customization specifications, the basic template for design of the Franchisee Page, parameters and deadlines specified by Franchisor, disclaimers, and such other standards and specifications and rights and obligations of the parties as Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by Franchisor for any purpose will be deemed to be a "**work made for hire**" under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and shall execute such further assignment(s) as Franchisor may request.

d. Without limiting Franchisor's general unrestricted right to permit, deny and regulate Franchisee's participation on the Website as Franchisor's sole and absolute right to determine, if Franchisee shall breach this Agreement, or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate the Franchisee Page and remove all references to the Restaurant on the Website until said breach is cured.

21.6. Franchisee acknowledges that, in connection with the operation of the franchise business, Franchisor will be disclosing confidential information and trade secrets to Franchisee. Franchisee further acknowledges that its knowledge of, and access to, Franchisor's formulae, recipes, processes, products, techniques, know-how and other proprietary information, including without limitation the Manual and the El Pollo Loco® System (collectively referred to as the "**Confidential Information**"), are derived entirely from the material disclosed to Franchisee by Franchisor. Franchisee acknowledges and agrees that at all times and in all respects, the Confidential Information is a trade secret of Franchisor and that Franchisee has only a license to use the Confidential Information according to the provisions of this Agreement.

a. Franchisee, and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is a Business Organization, shall maintain fully and strictly the secrecy of all the Confidential Information and to exercise the highest degree of diligence in safeguarding the Confidential Information during and after the term of this Agreement. Franchisee shall divulge the Confidential Information only to Franchisee's employees and only to the extent necessary to permit the efficient operation of the Restaurant during the effective term of this Agreement. After the expiration or termination of this Agreement, Franchisee shall not divulge the Confidential Information to any person or entity, nor shall Franchisee use the Confidential Information in any manner.

b. It is expressly agreed that the ownership of all of the El Pollo Loco® Marks and the Confidential Information is and shall remain vested solely in Franchisor. Nothing contained in this Agreement shall be construed to require Franchisor to divulge

to Franchisee any secret processes, formulae, ingredients or other information, except the material contained in Franchisor's Manual and training materials.

c. Franchisee shall fully and promptly disclose to Franchisor, all ideas, concepts, formulas, recipes, methods, techniques, and other possible improvements (each an "**Improvement**") relating to the development or operation of a quick service flame-grilled food product and/or related service, conceived or developed by Franchisee or Franchisee's employees during the Term. Any and all such Improvements will automatically be deemed to be Franchisor's sole and exclusive property and works made-for-hire; provided, however, for any such improvements that do not qualify as work made-for-hire for Franchisor, Franchisee hereby assigns ownership of that or those Improvements to Franchisor and covenants to execute whatever assignment or other documentation Franchisor requests in order to evidence such assignment and to assist Franchisor in securing intellectual property rights in the Improvement. Franchisee may not test, offer, or sell any new products without Franchisor's prior written consent, which may be withheld as Franchisor's sole and absolute right.

21.7. To further protect the El Pollo Loco® System while this Agreement is in effect, Franchisee and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is a Business Organization, shall neither directly nor indirectly, for itself, himself or herself, or through or on behalf of, or in conjunction with any person, partnership, corporation or other entity, consult, work for, be employed by, own any equity interest in, own, operate, control, engage in, provide assistance to, or have any interest (financial or otherwise) in any other business which would constitute a "**Competitive Business**" (as hereinafter defined) without the prior written consent of Franchisor; provided further, that Franchisor may, as its sole and absolute right, consent to Franchisee's continued operation of any business already in existence and operating at the time of execution of this Agreement. In addition, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous, uninterrupted period commencing upon the expiration, termination or assignment of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for itself, or through or on behalf of, or in conjunction with any person, partnership, corporation or other entity, consult, work for, be employed by, own equity interest in, own, operate, control, engage in, provide assistance to, or have any interest (financial or otherwise) in any Competitive Business which is located or has outlets or restaurant units within a radius of five (5) miles of the location of the Restaurant. The foregoing shall not apply to operation of an El Pollo Loco® restaurant by Franchisee pursuant to another Franchise Agreement with Franchisor or the ownership by Franchisee of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that Franchisee does not control or become involved in the operations of any such company. For purposes of this Section 21.7, a Competitive Business shall mean a quick-service restaurant or fast-food business which sells chicken and/or Mexican food products, which products individually or collectively represent more than twenty percent (20%) of the revenues from such quick-service restaurant or fast-food business operated at any one

location during any calendar quarter. A "**Competitive Business**" shall not include a full-service restaurant.

21.8. In the event that any provision of this Section 21 shall be determined by a court of competent jurisdiction to be invalid or unenforceable, this Agreement shall not be void, but such provision shall be limited to the extent necessary to make it valid and enforceable.

21.9. Franchisee understands and acknowledges that Franchisor shall have the right to reduce the scope of any obligation imposed on Franchisee by Section 21.7, without Franchisee's consent, and that such modified provision shall be effective upon Franchisee's receipt of written notice thereof.

21.10. Franchisee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee hereby consents to the entry of a preliminary and permanent injunction prohibiting any conduct by Franchisee in violation of the terms of those covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through Franchisee's unlawful utilization of Franchisor's Confidential Information, know-how, methods and procedures.

22. DISPUTE RESOLUTION

22.1. Initial Meeting and Mediation – Except as otherwise provided in this Agreement, before any legal action involving any claim or controversy between Franchisor and Franchisee (including its affiliates) relating to (a) this Agreement, (b) the parties' business activities conducted as a result of this Agreement, or (c) the parties' relationship or business dealings with each other generally is filed, the following procedures shall be complied with:

a. The party wishing to resolve a dispute shall initiate negotiation proceedings by first requesting in writing a meeting. Within forty-five (45) days of receipt of the initial request for such a meeting, the parties shall meet, discuss and negotiate toward a resolution of the controversy at a location within the county in which Franchisor is then located.

b. If negotiation efforts do not succeed, the parties shall engage in mandatory but non-binding mediation by a mediator jointly chosen by the parties or if the parties cannot agree upon a mediator, appointed by, and in accordance with the procedures of, JAMS or, if JAMS is no longer in existence, an organization of similar quality.

c. A mediation meeting will be held at a place and at a time mutually agreeable to the parties and the mediator. The Mediator will determine and control the

format and procedural aspects of the mediation meeting which will be designed to ensure that both the mediator and the parties have an opportunity to present and hear an oral presentation of each party's views regarding the matter in controversy. The parties will act in good faith to resolve the controversy in mediation.

d. The mediation will be held as soon as practicable after the negotiation meeting is held.

e. The mediator will be free to meet and communicate separately with each party either before, during or after the mediation meeting within 60 days of demand by either party.

22.2. At the election of Franchisor, the provisions of this Section 22 shall not apply to controversies relating to any fee due Franchisor by Franchisee or its affiliates, any promissory note payments due Franchisor by Franchisee, or any trade payables due Franchisor by Franchisee as a result of the purchase of equipment, goods or supplies. The provisions of this Section 22 shall also not apply to any controversies relating to the use and protection of the El Pollo Loco Marks, the Manual or the El Pollo Loco System, including without limitation, Franchisor's right to apply to any court of competent jurisdiction for appropriate injunctive relief for the infringement of the El Pollo Loco Marks or the El Pollo Loco System.

23. MISCELLANEOUS PROVISIONS

23.1. In the event that Franchisee is comprised of more than one person, firm, corporation or other entity, Franchisee's rights, privileges, interests, obligations and liabilities under this Agreement shall be joint and several with respect to such persons, firms, corporations or other entities.

23.2. If Franchisee is a Business Organization, Franchisor will require, as a condition to the effectiveness hereof, the written guarantee and assumption of Franchisee's obligations hereunder by any or all of the shareholders, members, partners, other equity owners, as applicable, of a Business Organization and/or some other natural persons associated with Franchisee, the form of which is attached hereto as **Exhibit 2**. Franchisor may also require that Franchisee maintain transfer instructions restricting a transfer on its records of any securities, partnership interests or other ownership interests in violation of the restrictions set forth in Section 17 and that each stock, partnership or other ownership certificate of Franchisee shall have conspicuously endorsed upon its face a statement in form satisfactory to Franchisor that further assignment or transfer thereof is subject to each of the restrictions imposed upon assignments by this Agreement.

23.3. All notices required under this Agreement shall be in writing and shall be either (i) served personally; (ii) sent by certified or registered United States mail to the party to be charged with receipt thereof; (iii) by reputable overnight delivery service or (iv) sent via facsimile. Notices served personally are effective immediately on delivery, and those served by mail shall be deemed given forty-eight (48) hours after deposit of such

notice in a United States post office with postage prepaid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. Notices served via facsimile shall be deemed to have been given the day of faxing such notice. The address for Franchisor shall be: Attention: Chief Legal Officer re EPL #_____, El Pollo Loco, Inc., 3535 Harbor Blvd, Suite 100, Costa Mesa, California 92626, and the address and facsimile number for Franchisee shall be the address and facsimile number listed on the cover page of this Agreement. Any notice that we send to you may be sent only to the first person identified on Schedule 1, Statement of Ownership Interest of Franchisee, even if you have multiple owners. Franchisor or Franchisee may from time to time change its address for notice pursuant to this Section by giving a written notice of such change to the other party in the manner provided herein. Notwithstanding anything to the contrary contained herein, Franchisor may deliver bulletins and updates to the Manual by electronic means, such as by the internet (e-mail) or an intranet, if any, established by Franchisor.

23.4. Notwithstanding the above, Franchisor may elect to utilize email or similar communications to Franchisee for the purpose of communicating System modifications, operations, marketing and other bulletins, menu changes, product or equipment safety or recall alerts, or any other message Franchisor determines, and Franchisee hereby acknowledges that such communications will constitute actionable communication under this Agreement and shall ensure that Franchisee's communications system includes the capability, and is set or programmed, to receive such communications from Franchisor on a continual basis throughout the Term. Franchisee must never opt out or refuse to accept any of such Franchisor communications at any time during the Term.

23.5. The receipt and acceptance by either party of any delinquent payment due hereunder shall not constitute a waiver of any other default. No delay or omission in the exercise of any right or remedy of either party upon any default by the other hereunder shall impair such right or remedy or be construed as a waiver of any term, covenant or condition of this Agreement to be performed by the other party. To be effective, any waiver of any other default must be in writing and shall not constitute a waiver of any other default concerning the same or any other term, covenant or condition of this Agreement.

23.6. Franchisor's consent to or approval of any act or conduct of Franchisee requiring such consent or approval shall not be deemed to waive or render unnecessary Franchisor's consent to or approval of any subsequent act or conduct hereunder.

23.7. The provisions of this Agreement are intended by the parties to be a complete and exclusive expression of their agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties except as set forth or referenced herein. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative, subject to any agreed-upon changes to the contract terms and conditions

described in that disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement). The provisions of this Agreement may not be contradicted by any other statement concerning the subject matter herein. Subject to our right to modify the Manual and other documents related to the System Standards, this Agreement may not be amended or modified except by a written agreement signed by the parties hereto.

23.8. In the event of the bringing of any action by either party against the other arising out of or in connection with this Agreement or the enforcement thereof, or by reason of the breach of any term, covenant or condition of this Agreement on the part of either party, the party in whose favor final judgment is entered shall be entitled to have and recover from the other party reasonable attorneys' fees (internal and external) plus costs and expenses (internal and external) reasonably incurred from commencing, and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements), the amount to be fixed by the court rendering such judgment.

23.9. This Agreement shall be governed by and construed in accordance with the laws of the state in which Franchisor's then-current headquarters is located (i.e., currently, the State of California); provided however that: (i) the provisions in Section 21.7 covering competition following the expiration, termination or assignment of this Agreement shall be governed by the laws of the state in which the breach occurs; (ii) the provisions of any law of a state regarding franchises (including registration, disclosure or relationship issues, and the regulations promulgated thereunder) shall not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section; and (iii) if any matter related to this Agreement would be unenforceable under the laws of the state where Franchisor's then-current headquarters is located, but would be enforceable under the laws of the state in which the Franchisee is based, then the laws of the state in which the Franchisee is based shall apply to such matter. **ANY ACTION BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT WITHIN THE STATE IN WHICH FRANCHISOR'S HEADQUARTERS (CURRENTLY THE STATE OF CALIFORNIA) IS THEN LOCATED. THE ACTION SHALL BE BROUGHT IN FEDERAL COURT IF FEDERAL COURT JURISDICTION IS AVAILABLE AND, IF NOT, IN STATE COURT. THE PARTIES HEREBY WAIVE ANY RIGHT TO DEMAND OR HAVE TRIAL BY JURY IN ANY ACTION RELATING TO THIS AGREEMENT IN WHICH FRANCHISOR IS A PARTY. THE PARTIES CONSENT TO THE EXERCISE OF PERSONAL JURISDICTION OVER THEM BY SUCH COURTS IN CALIFORNIA AND TO THE PROPRIETY OF VENUE OF SUCH COURTS FOR THE PURPOSE OF CARRYING OUT THIS PROVISION, AND EACH PARTY WAIVES ANY OBJECTION THAT IT WOULD OTHERWISE HAVE TO THE SAME. ANY ACTION BETWEEN FRANCHISEE AND FRANCHISOR SHALL INVOLVE ONLY THE INDIVIDUAL CLAIMS OF FRANCHISEE AND SHALL NOT INVOLVE ANY CLASS, GROUP, JOINT, CONSOLIDATED, REPRESENTATIVE OR ASSOCIATIONAL ACTION.**

23.10. Except with respect to Franchisee's obligation to indemnify Franchisor pursuant to Sections 9.3 and 9.4 of this Agreement, the parties waive to the fullest extent permitted by the law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages it sustains and injunctive relief. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Restaurant, brought by either party hereto against the other, whether in mediation, or a legal action, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

23.11. Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement. Any prohibition against or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

23.12. Franchisee recognizes the unique value and secondary meaning attached to the El Pollo Loco® System, the El Pollo Loco® Marks, the Confidential Information and the associated standards of operation and trade practices, and Franchisee agrees that any noncompliance with the terms of this agreement or any unauthorized or improper use will cause irreparable damage to Franchisor and its franchisees. Franchisee therefore agrees that if it should engage in any such unauthorized or improper use, during or after the term of this Agreement, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law. Franchisee agrees and acknowledges that in such event, Franchisee may be required to post a bond while Franchisor shall not be required to post a bond.

23.13. Franchisee shall grant no security interest in the franchise or in any of the tangible assets of the business including the furniture, fixtures and equipment located in the Restaurants, unless the secured party agrees that in the event of any default by Franchisee and exercise of its right to take and sell such assets under any documents relating to such security interests, Franchisor shall have the right and option to exercise a right of first refusal to purchase such assets on the same terms and conditions offered by the secured party. If, within thirty (30) days after receipt of the offer, which would include information and documentation as Franchisor may need or require for the purpose of considering whether to exercise its right of first refusal to purchase such assets, Franchisor does not indicate its acceptance of the offer as stated in the notice, secured party shall thereafter have the right to make the sale to the proposed transferee on the same terms and conditions as stated in the notice. Should Franchisor not exercise its right of first refusal and should the contemplated sale not be completed within one hundred (120) days from the date of the notice, or should the terms and conditions thereof

(including the proposed transferee or the ownership therein) be altered in any material way, this right of first refusal shall be reinstated and any such subsequent proposed sale or altered terms and conditions of the current transaction must again be offered to Franchisor in accordance with the terms listed above.

23.14. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their permitted heirs, successors and assigns.

23.15. This Agreement shall not be binding upon Franchisor unless and until it shall have been accepted and signed by authorized officers of Franchisor. This Agreement may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. A signature on this Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign or equivalent), shall be considered an original for all purposes hereunder.

23.16. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party shall have the right to claim the benefit of any provision hereof as a third party beneficiary of any such provision. Franchisee may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of Franchisor. Franchisor will not be obligated for any damages to any person or property directly or indirectly arising out of the Restaurant.

23.17. If following commencement of business at the Restaurant, the Restaurant is damaged or destroyed to the extent that Franchisor determines that the Restaurant must be closed for repairs for more than sixty (60) days, or if the Location is taken by condemnation proceedings or Franchisee's lease is terminated through no act or failure to act on its part (except the failure to utilize any available options to extend such lease, or Franchisee's willful truncation of such lease), then at Franchisor's option, Franchisor may elect to:

a. terminate this Agreement, require Franchisee to relocate the Restaurant, or in the case of a casualty, require Franchisee to rebuild the Restaurant.

b. require Franchisee to rebuild the Restaurant, Franchisee shall, at its own expense, repair or reconstruct the Restaurant, and such construction shall be completed, and the Restaurant shall reopen for business not later than twelve (12) months following the date the triggering event occurred. The minimum acceptable appearance for the reconstructed Restaurant will be that which existed just prior to the casualty; however, every effort shall be made to have the reconstructed Restaurant reflect the then-current image, design and specifications of new El Pollo Loco® restaurants.

c. require Franchisee to relocate the Restaurant, Franchisee must execute Franchisor's then-current form of Development Agreement within thirty (30) days of the date Franchisor notifies Franchisee of Franchisor's election. Franchisee must

follow the site selection and approval procedures associated with the Development Agreement; provided, however, that no development fee shall be required to be paid. Upon approval by Franchisor of a new site, Franchisee must execute Franchisor's then-current form of Franchise Agreement; provided, however, that the term of such new agreement shall be equal to the remaining term of this Agreement and Franchisee shall not be required to pay a new initial franchise fee. Franchisee will submit a replacement site for the new Restaurant, in accordance with the time frames indicated in the then-current form of Development Agreement, and which replacement site shall be located in an area defined as a radius surrounding the existing site of the Restaurant, the exact dimensions of which shall be reasonably negotiated between Franchisee and Franchisor taking into consideration the rights of other then-existing and potential franchisees. If Franchisor approves the new site, Franchisee shall either acquire or lease the site and design, construct and furnish the Restaurant in conformance with the design and construction requirements imposed by Franchisor for new El Pollo Loco® restaurants. The new Restaurant must be open for business not later than twelve (12) months following the date of the casualty or loss of possession of the original Location.

d. terminate the Franchise Agreement, Franchisee shall promptly comply with the requirements set forth at Sections 19.1 and 19.2.

24. EFFECTIVE DATE

24.1. This Agreement shall be effective as of the date it is executed by Franchisor (the "**Effective Date**").

25. ACKNOWLEDGMENTS

25.1. Franchisee acknowledges that Franchisee has received a complete copy of the El Pollo Loco® Disclosure Document, together with all exhibits, issuance date March 29, 2022 (Control Number 032922), at least 14 calendar days prior to the date on which this Agreement was executed by Franchisee or payment of any monies to Franchisor.

25.2. Franchisee acknowledges that it has read and understands this Agreement, the attachments thereto and the agreements relating thereto, if any, contained in the Disclosure Document received by Franchisee on _____, 20_____, and that Franchisor has accorded Franchisee ample opportunity and has encouraged Franchisee to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

25.3. The execution of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

25.4. Each individual executing this Agreement on behalf of Franchisee is duly authorized to do so, and this Agreement constitutes a valid and binding obligation of Franchisee.

25.5. Franchisee has entered into this Agreement in reliance on information in this Agreement, the Disclosure Document, and its own investigations, and did not rely on any promise, representation, statement, or undertaking made by Franchisor or Franchisor's representatives that is not included in this Agreement or the Disclosure Document or that is in conflict with any statement or representation in this Agreement or the Disclosure Document; in particular, Franchisee has not received or relied on any data, representation, projection, forecast, estimate, warranty, assurance, or other communication, expressed or implied, as to actual or potential sales volume, profit, or success of the Restaurant.

25.6. Franchisee understands and acknowledges the value to the System and to the uniform and ethical standards of quality, consistency, appearance, and service described in and required by the Manual (which may be periodically modified, as provided in this Agreement) and the necessity of operating the franchised business under the standards set forth in the Manual; and, Franchisee has the capabilities, professionally, financially and otherwise, to comply with the standards of Franchisor.

25.7. Franchisee has carefully read this Agreement and all other related documents to be executed by Franchisee concurrently or in conjunction with the execution hereof, has obtained, or had the opportunity to obtain, the advice of legal, financial, and business advisors in connection with the execution and delivery of this Agreement, understands the nature of this Agreement and the considerable effort to be expended on the part of Franchisee in order to satisfactorily perform their respective obligations hereunder, and Franchisee intends to comply herewith and be bound thereby.

25.8. Franchisee acknowledges and fully appreciates that the business contemplated by this Agreement involves significant risks and that any particular results depend largely on Franchisee's business abilities and efforts as well as external economic forces outside Franchisor's control; and, Franchisee acknowledges and fully appreciates that neither Franchisor nor any other person can assure any particular results.

25.9. Incorporated herein by this reference is all of the additional information provided by Franchisee to Franchisor as part of the application process pertinent to the grant of franchise evidenced by this Agreement. Franchisee acknowledges that Franchisor has relied on each item of such information in granting this franchise.

26. ANTI-TERRORISM LAW

26.1. Franchisee certifies that neither Franchisee or its employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224[1]. Franchisee promises not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee promises to comply with and assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee

[1] http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html.

certifies, represents, and warrants that none of its property or interests is subject to being "**blocked**" under any of the Anti-Terrorism Laws, and that Franchisee are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in this Agreement pertain to Franchisee's obligations under this Section. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee or its employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's Affiliates. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations) the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

27. SIGNATURES

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date(s) first set forth below.

FRANCHISOR:	FRANCHISEE:
EL POLLO LOCO, INC., a Delaware Corporation	_____, a_____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT 1: MEMORANDUM OF OPENING DATE

On or about _____, 20__, **El Pollo Loco, Inc**., a Delaware corporation ("**Franchisor**"), and _____, a _____ ("**Franchisee**"), entered into a Franchise Agreement (the "**Franchise Agreement**") for an "**El Pollo Loco**" Restaurant Unit No. _____ located at _____(the "**Location**").

The parties hereby agree that the Opening Date of the Restaurant at the Location was _____, 20___.

The term of the Franchise Agreement shall expire on _____, 20___, unless sooner terminated as provided in the Franchise Agreement.

This Memorandum of Opening Date may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this Memorandum of Opening Date transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Opening Date to be executed as of the date(s) below.

FRANCHISOR:	FRANCHISEE:
EL POLLO LOCO, INC., a Delaware Corporation	**_____,** a_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT 2: PERSONAL GUARANTEE OF FRANCHISE AGREEMENT

As of _____, the undersigned hereby unconditionally guarantees, absolutely and irrevocably the performance and payment by Franchisee (as defined below) of, and expressly agrees to adopt and be individually bound by as if the undersigned were a party to each and all of the terms, covenants and conditions of that certain Franchise Agreement dated _____, 20___ (the "**Agreement**") between **El Pollo Loco, Inc.**, a Delaware corporation ("**Franchisor**") whose address is 3535 Harbor Blvd, Suite 100, Costa Mesa, CA 92626 and _____, a _____ ("**Franchisee**") whose address is _____. The undersigned further agrees as follows:

1. This guarantee will continue unchanged by any bankruptcy, reorganization or insolvency of Franchisee or by any disaffirmance or abandonment by a trustee of Franchisee.

2. This covenant and agreement on the part of the undersigned shall continue in favor of Franchisor notwithstanding any extension, modification or alteration of the Agreement entered into by and between the parties thereto, or their successors or assigns, and no extension, modification, alteration or assignment of the Agreement shall in any manner release or discharge the undersigned and the undersigned does hereby consent thereto.

3. The liability of the undersigned under this guarantee shall be primary and in any right of action which shall accrue to Franchisor under the Agreement, Franchisor may, at its option, proceed against the undersigned without having commenced any action or having obtained any judgment against Franchisee.

4. The undersigned shall pay Franchisor's reasonable attorneys' fees (both internal and external) and all costs and other expenses (both internal and external) incurred in any collection or attempted collection or in any negotiations relative to the obligations hereby guaranteed or enforcing this guarantee against the undersigned, individually and jointly from commencing and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements), only if final judgment is entered in favor of Franchisor.

5. The undersigned hereby waives notice of any demand by Franchisor as well as any notice of default in the payment of any and all amounts contained or reserved in the Agreement.

6. All sums due under this guarantee shall bear interest from the date due until the date paid at the maximum contract rate permitted by law. The obligations under this guarantee include, without limitation, payment when due of any and all sums due under the Agreement and all damages to which Franchisor is or may be entitled whether under applicable law, indemnification payments and payment of any and all legal fees, courts costs and litigation expenses incurred by Franchisor in endeavoring to collect or enforce any of the foregoing against Franchisee, the undersigned, or in connection with any property securing any or all of the foregoing or this guarantee.

7. The undersigned agrees that one or more successive or concurrent actions may be brought on this guarantee, in the same action in which Franchisee may be sued or in separate actions, as often as deemed advisable by Franchisor. The obligations under this guarantee are joint and several, and independent of the obligations of Franchisee.

8. No election in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of Franchisor's right to proceed in any other form of action or proceeding or against any other party. The failure of Franchisor to enforce any of the provisions of this guarantee at any time or for a period of time shall not be construed to be a waiver of any such provision or the right thereafter to enforce the same. All remedies under this guarantee shall be cumulative and shall be in addition to all rights, powers and remedies given to Franchisor by law or under any other instrument or agreement.

9. All rights, benefits and privileges under this guarantee shall inure to the benefit of and be enforceable by Franchisor and its successors and assigns and shall be binding upon the undersigned and the undersigned's heirs, representatives, successors and assigns. Neither the death of the undersigned nor notice thereof to Franchisor shall terminate this guarantee as to the undersigned's estate, and, notwithstanding the death of the undersigned or notice thereof to Franchisor, this guarantee shall continue in full force and effect. The provisions of this guarantee may not be waived or amended except in writing executed by the undersigned and a duly authorized representative of Franchisor.

10. The undersigned represents and warrants that (i) it is in the undersigned's direct interest to assist Franchisee in procuring the Agreement, because Franchisee has a direct or indirect corporate or business relationship with the undersigned, (ii) this guarantee has been duly and validly authorized executed and delivered and constitutes the binding obligation of the undersigned, enforceable in accordance with its terms, and (iii) the execution and delivery of this guarantee does not violate (with or without the giving of notice, the passage of time, or both) any order, judgment, decree, instrument or agreement to which the undersigned is a party or by which it or its assets are affected or bound.

11. If any provision of this guarantee or the application thereof to any party or circumstance is held invalid, void, inoperative, or unenforceable, the remainder of this guarantee and the application of such provision to other parties or circumstances shall not be affected thereby, the provisions of this guarantee being severable in any such instance. This guarantee is the entire and only agreement between the undersigned and Franchisor respecting the guarantee of the Agreement, and all representations, warranties, agreements, or undertakings heretofore or contemporaneously made, which are not set forth in this guarantee, are superseded.

12. All notices given under this guarantee shall be in writing and shall be either (i) served personally; (ii) sent by certified or registered United States mail to the party to be

charged with receipt thereof; (iii) by reputable overnight delivery service or (iv) sent via facsimile. Notices served personally are effective immediately on delivery, and those served by mail shall be deemed given forty-eight (48) hours after deposit of such notice in a United States post office with postage prepaid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. Notices served via facsimile shall be deemed to have been given the day of faxing such notice. The address for either party shall be the address listed on the above in the first paragraph of this guarantee. Either party may from time to time change its address for notice pursuant to this section by giving a written notice of such change to the other party in the manner provided herein.

13. This guarantee is governed by and construed according to the laws of the State of California applicable to contracts made and to be performed in such state. In order to induce Franchisor to accept this guarantee, and as a material part of the consideration therefore, the undersigned (i) agrees that all actions or proceedings relating directly or indirectly to this guarantee shall, at the option of the Franchisor, be litigated in courts located within the State of California, and (ii) consents to the jurisdiction of any such court and consents to the service of process in any such action or proceeding by personal delivery or any other method permitted by law.

The undersigned waives and relinquishes any rights it may have under California Civil Code 2845, 2849 and 2850 or otherwise to require Franchisor to (a) proceed against Franchisee or any other guarantor, pledgor or person liable under the Agreement; (b) proceed against or exhaust any security for the Franchisee or this guarantee; or (c) pursue any other remedy in Franchisor's power whatsoever. In other words, Franchisor may proceed against the undersigned for the obligations guaranteed without first taking any action against Franchisee or any other guarantor, pledgor or person liable under the Agreement and without proceeding against any security. The undersigned shall not have, and herby waives (a) any right of subrogation, contribution, indemnity and any similar right that the undersigned may otherwise have, (b) any right to any remedy which Franchisor now has or may hereafter have against Franchisee, and (c) any benefit of any security now or hereafter held by Franchisor. The undersigned waives (a) all presentments, demands for performance, notices of non-performance, protests, notices of protests and notices of dishonor; (b) all other notices and demands to which the undersigned might be entitled, including without limitation notice of all the following: the acceptance hereof; any adverse change in Franchisee's financial position; any other fact which might increase the undersigned's risk; any default, partial payment or non-payment under the Franchisee and any changes, modifications, or extensions thereof; and any revocation, modification or release of any guarantee of any or all of the Agreement by any person (including without limitation any other person signing this guarantee): (c) any defense arising by reason of any failure of Franchisor to obtain, perfect, maintain or keep in force any security interest in any property of Franchisee or any other person; (d) any defense based upon or arising out of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against Franchisee or any other guarantor or any person liable under the Agreement.

Without limiting the generality of the foregoing or any other provision of this guarantee, the undersigned expressly waives any and all benefits which might otherwise be available to it under California Civil Code 2839 (which provides that a surety is exonerated by the performance or the offer of performance of the principal obligation), 2899 (which provides for the order of resort to different funds held by the creditor) and 3433 (which provides for the right of a creditor to require that another creditor entitled to resort to several sources of payments first resort to sources not available to the first creditor). The undersigned waives the rights and benefits under California Civil Code 2819 and agrees that by doing so its liability shall continue even if Franchisor alters any obligations under the Agreement in any respect or Franchisor's rights or remedies against Franchisee are in any way impaired or suspended without the undersigned's consent. Franchisor may without notice assign this guarantee in whole or in part.

14. The undersigned has had the opportunity to review this guarantee with its counsel and such counsel has explained to it the meaning and significance of the provisions of this guarantee, including but not limited to the waivers and consents contained in this guarantee, and answered any questions that it had regarding the meaning, significance and effect of the provisions of this guarantee.

15. This guarantee of the Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this guarantee of the Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign or equivalent), shall be considered an original for all purposes hereunder.

The use of the singular herein shall include the plural. The obligations of two or more parties shall be joint and several. The terms and provisions of this guarantee of the Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties herein named.

IN WITNESS WHEREOF, the undersigned executed this guarantee on the date(s) set forth below.

By:	
Name:	
Title:	An individual
Date:	

EXHIBIT 3: INVESTOR COVENANTS REGARDING CONFIDENTIALITY AND NON-COMPETITION

Statement of Ownership of Franchisee:

Name of Principal/Investor	Percentage of Ownership Interest

In conjunction with your investment in _____ a _____("**Franchisee**") you ("**Investor**" or "**You**"), acknowledge and agree as follows:

1) Franchisee owns and operates, or is developing, pursuant to a Franchise Agreement dated _____ ("**Franchise Agreement**") with El Pollo Loco, Inc. ("**EPL**"), which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.

2) You own or intend to own a certain percentage of legal or beneficial ownership interest in Franchisee (as described above) and acknowledge and agree that your execution of this Agreement is a condition to such ownership interest and that you have received good and valuable consideration for executing this Agreement. EPL may enforce this Agreement directly against you and your Owners (as defined below).

3) If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you ("**Owners**") must also execute this Agreement.

4) You and your Owners, if any, may gain access to parts of EPL's Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes EPL's trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in franchise and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in franchisee, you and our Owners, if any, must deliver to EPL any such Confidential Information in your or their possession.

5) During the term of the Franchise Agreement and during such time as you and your Owners, if any, have any legal or beneficial ownership interest in Franchisee, you and your Owners, if any, agree that you and they will not, without EPL's consent (which consent may be withheld as EPL's sole and absolute right) directly or indirectly (such as

through an Affiliate or through your or their Immediate Families) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competitive Business located anywhere, or (b) any entity located anywhere that grants franchises or licenses interest to others to operate any Competitive Business.

6) For a period of two (2) years, starting on the earlier to occur of the date you or your Owners cease to have any legal or beneficial ownership interest in Franchisee and the effective date of termination or expiration of the Franchise Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through your or their Immediate Families) shall own a legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business operating at or within a radius of five (5) miles of the Restaurant and/or any El Pollo Loco Restaurant then in operation or under construction; or (b) any entity that grants franchises or license other interest to others to operate any Competitive Business. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and EPL. obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two (2) years after the date such person commences compliance with the order enforcing the covenant.

7) You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein, which restricts competitive activity, is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part of all of it, you and we agree that it will be enforce to the fullest extent permissible under applicable law and public policy. EPL may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledges that any violation of Section 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If EPL files a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse EPL for all its cost and expense, including reasonable attorneys' fees.

8) This Investor Covenants regarding Confidentiality and Non-Competition Agreement ("**Investor Agreement**") may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this Investor Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the date(s) set forth below.

INVESTOR:
If an Individual:

By:	By:
Name:	Name:
Title: An individual	Title: An individual
Date:	Date:

If a corporation, partnership, limited liability company or other legal entity:
_____, a _____

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

OWNERS:

By:	By:
Name:	Name:
Title: An individual	Title: An individual
Date:	Date:

EXHIBIT 4: AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (ACH)

On _____, 20_____ and going forth, the undersigned depositor ("**Depositor**") hereby authorizes El Pollo Loco, Inc. ("**El Pollo Loco**") to initiate debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated attached as Exhibit A and the depository ("**Depository**") to debit such account pursuant to El Pollo Loco's instructions ("**Authorization**").

This authority is to remain in full force and effect until Depository has received joint written notification from El Pollo Loco and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide El Pollo Loco and Depositor with thirty (30) days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or forty five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

This Authorization may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this Authorization transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent) shall be considered an original for all purposes hereunder.

Depositor: _____

By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT A to
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (ACH)

(to be completed by Depositor)

Depository:
Branch:
Street Address, City, State, Zip Code:
Bank Transit/ABA Number:
Account Number:

ATTACH VOID CHECK

EXHIBIT 5: ADVERTISING ASSOCIATION DOCUMENTS

ADVERTISING ASSOCIATION MEMBERSHIP AGREEMENT

THE *[NAME OF AREA]* EL POLLO LOCO® RESTAURANT ADVERTISING ASSOCIATION

MEMBERSHIP AGREEMENT

THIS *[NAME OF AREA]* EL POLLO LOCO® RESTAURANT ADVERTISING ASSOCIATION MEMBERSHIP AGREEMENT is effective as of _____, 20___, by and between the *[NAME OF AREA]* EL POLLO LOCO® RESTAURANT ADVERTISING ASSOCIATION, INC. a _____ Nonprofit Corporation [the "**Association**"] and _____, a_____(the "**Member**").

BACKGROUND INFORMATION:

EL POLLO LOCO, INC. (the "**Franchisor**") owns, operates and franchises quick service restaurants which specialize in the sale of retail marinated _____ grilled chicken and Mexican food items related to the El Pollo Loco® concept ("**Restaurants**"). The Member owns and operates one or more Restaurants within the _____[*described geographic area*]_____ (the "**Association Area**"). The Association was organized by the Franchisor and its franchisees that own Restaurants in the Association Area in order to pool advertising funds.

OPERATIVE TERMS:

1. **Bylaws**. The Association has adopted Bylaws and may amend, modify or replace them from time to time in accordance with its governing documents, subject to the written consent of the Franchisor (the "**Bylaws**"). Unless the context requires otherwise, terms used in this Agreement will have the meanings as defined in the Bylaws.

2. **Membership**. By signing this Agreement:

(a) The Member agrees to become a member of the Association and agrees to be bound by and adhere to the Bylaws, and to observe any administrative rules, regulations and policy statements adopted by the Association in accordance with the Bylaws; and

(b) The Association accepts and enrolls the Member as a member in good standing with full rights and Benefits of membership.

3. **Scope**. This Agreement is applicable to all of the Member's Restaurants located in the Association Area, whether currently existing, or opened or acquired after the signing of this Agreement.

4. **Contributions**.

(a) **Obligation to Pay**: The Member agrees to make such contributions to the Association, and at such time and in such manner, as are determined by the Association from time to time in accordance with the Bylaws. Contributions are non-refundable.

(b) **Reports**: Each contribution must be accompanied by a report containing such information as the Association may determine from time to time, showing the amount of the contribution the Member is required to pay with respect to the Member's Restaurants located in the Association Area. The Member authorizes and instructs the Franchisor to furnish to the Association, on request, copies of the Member's reports and records in Franchisor's possession for the purpose of verifying contributions due. The Association may review reports and other information available to the Franchisor to verify that the proper amount of contributions have been made by the Member.

(c) **Collection by Franchisor**: The Member acknowledges and agrees that the Association may authorize Franchisor to receive and collect contributions and related reports on behalf of the Association. In such case, the Member shall make contributions to Franchisor, and shall report to Franchisor, at such times and in such manner as Franchisor may determine to be appropriate from time to time.

5. **Benefits**. The Association agrees that it will operate on a not-for-profit basis in accordance with governing documents and that all contribution will be spent solely for the purposes permitted in its Articles of Incorporation and Bylaws.

6. **Effective Date and Term**. The Agreement becomes effective on the date signed by both Parties and will continue until the earlier of:

(a) The Association discontinues operations or is dissolved; or

(b) Until the Member no longer owns and operates a Restaurant located in the Association Area under a valid Franchise Agreement with Franchisor, or until the Member no longer owns or operates a Restaurant located in the Association Area, if the Member is the Franchisor or an affiliate of Franchisor.

In the event this Agreement terminates pursuant to Section 6(b), the Member's voting and other membership rights in the Association automatically terminate on the effective date of termination of the Franchise Agreement (or closure of the Restaurant, if the Franchisor or its affiliate is the Member), provided however, if the Member owes contributions at the time of such termination (or closure), then it will still be obligated and responsible for all contributions that accrued prior to the date of such termination (or closure).

7. **Franchise Transfers**. The parties recognize that the timing of payment of contributions may not always coincide with the consummation of the sale of a Restaurant. Accordingly, the parties agree as follows:

(a) **Timing**: The Member will remain responsible to the Association for all contributions due through the date of the consummation of any sale of an El Pollo Loco® restaurant owned by the Member that is subject to this Agreement.

(b) **Credit Balances**: If the Member sells or closes an El Pollo Loco® restaurant subject to this Agreement at a time when the Member has a credit balance with the Association, the credit balance will not be refunded, but will be: (i) retained for the benefit of other members of the Association, if the transaction involves a closing of the Member's El Pollo Loco® restaurant or the termination or expiration of the Member's Franchise Agreement; or (ii) credited to the Restaurants of the purchaser that are subject to this Agreement, if a sale, transfer or assignment is involved; or (iii) credited to the Member's other Restaurants that are still subject to this Agreement.

8. **Delinquencies**. The Member agrees to abide by all rules and regulations regarding delinquent contributions, including the payment of interest and late payment fees, adopted by the Association from time to time. The Member acknowledges and agrees that delinquent contributions (a) constitute a breach of the Franchise Agreement; (b) may result in loss of voting rights and other privileges with the Association; and/or (c) may result in cancellation of membership with the Association.

9. **Entity Participation**. If the Member is a corporation, limited liability company, partnership or other business entity, the Member will duly authorize one (1) person to represent its interests at Association meetings (the "**Representative**"). The Representative must be a: (i) shareholder, partner, member (in case of an LLC), director or officer of the Member; or (ii) the Member's Operating Partner, as defined in the Member's Franchise Agreement; or (iii) in the event the Member is Franchisor or one of its affiliates, an officer or other designated representative of the Franchisor or it affiliate. The Association shall be entitled to rely on any written authorization appointing the Representative that the Association in good faith believes to be valid unless and until the Association shall have received an authorization for a successor Representative's decisions, votes and consents to bind the Member at any such meeting without any further inquiry. The same person can be a Representative for more than one (1) Member.

10. **Program Participation**. The Member will not be required, as a condition of membership in this Association or otherwise, to participate in any advertising or promotion that contains a specified retail price, or a minimum retail price, for any product or service furnished by Restaurant in the Association Area. However, the Member's obligation to pay contributions pursuant to this Agreement will not be affected in any way by the Member's decision not to participate.

11. **Miscellaneous**.

(a) Severability: If any part of this Agreement is held invalid for any reason, the remainder of this Agreement will not be affected and will remain in full force and effect in accordance with its terms.

(b) Costs of Collection: Member agrees to reimburse the Association (or, if applicable, Franchisor) for all costs and expenses, including attorneys' fees and expenses, incurred in connection with collecting delinquent contributions. Reimbursement is due within thirty (30) days of written notice.

(c) Waivers: No waiver of any provision of this Agreement will be valid unless in writing and signed by the person signed by the person against whom it is sought to be enforced. The failure by either party to insist upon strict performance of any provision will not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same provision at any other time or to insist on strict performance of any other provision of this Agreement.

(d) Liabilities and Beneficiaries: Neither party will be liable to any other person who is not Party to this not a Party to this not a party to this Agreement by virtue of their relationship to each other. No other person has any rights because of this Agreement, except for the parties. However, notwithstanding the foregoing, although the Franchisor may not be a party to this Agreement, and is not bound by it, Franchisor is a third-party intended beneficiary.

(e) Entire Agreement: This Agreement reflects the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements, communications or understandings with respect to the matters provided for herein. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent) shall be considered an original for all purposes hereunder.

[NAME OF AREA] EL POLLO LOCO® RESTAURANT

By: _____
Name: _____
Title: _____
Date: _____

ADVERTISING ASSOCIATION, INC.
[Name of Member]

By: _____
Name: _____
Title: _____
Date: _____

BYLAWS OF _____*[NAME OF AREA]*_____EL POLLO LOCO® RESTAURANT ADVERTISING ASSOCIATION, INC.

Adopted as of _____, 20___

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ARTICLE

BYLAWS OF _____*[NAME OF AREA]*_____EL POLLO LOCO® RESTAURANT ADVERTISING ASSOCIATION, INC.

ARTICLE 1 - Officers

Section 1.1 - Registered and Principal Office. The initial registered office of the _____ _____*[NAME OF AREA]* El Pollo Loco® restaurant Advertising Association, Inc. (the "**Corporation**") will be located at _____. The initial principal office of the Corporation will be located at _____.

Section 1.2 - Other Offices. The Corporation may have offices at such other place or places within or without the State of Delaware as the Board of Directors may from time to tie establish.

Section 1.3 - Registered Agent for Service of Process. The Corporation's Board of Directors will have the right to designate a registered agent for service of process, who may be an individual or a corporation. The registered agent so designated will serve until a successor is elected by the Board of Directors.

ARTICLE 2 - Powers and Purposes

Section 2.1 - Powers. The Corporation will have all of the powers accorded nonprofit corporations under the Missouri Nonprofit Corporation Act (the "**Act**"). The Corporation will utilize such powers to engage in any lawful activity which is consistent with its purposes as set forth in the Articles of Incorporation.

Section 2.2 - Purposes. The purposes for which the Corporation is formed are to establish, maintain, administer and operate a promotional and advertising fund (the "**Fund**") for the benefit of the El Pollo Loco® restaurants ("**EPL's**") of its members located in _____[*describe geographic area*]_____ (the "**Association Area**") and to further any and all purposes consistent with the objectives of the Corporation.

Section 2.3 - Use of Trademarks. The Corporation recognizes that its activities will necessarily involve advertising and promotional programs that contain the intellectual property rights, including copyrights, trademarks, service marks, logos, and designs derived from El Pollo Loco, Inc. (the "**Franchisor**"). As such, the Corporation has entered into, or will enter into, the [*NAME OF AREA]* _____El Pollo Loco® restaurant Advertising Association Authorization Agreement.

ARTICLE 3 - Members

Section 3.1 - Members. The members will consist of (a) owners of franchised Restaurants located in the Association Area operating under valid and effective Franchise Agreements with Franchisor; and (b) the Franchisor or any of its affiliates, to the extent that it or any of its affiliates owns or operates any Restaurants located within the Association Area.

Any Franchisee who ceases to be a party to any valid and effective Franchise Agreement with the Franchisor for a El Pollo Loco® restaurant located in the Association Area, whether due to transfer, expiration or termination, will automatically cease to be a member of the Corporation, but will continue to remain liable to the Corporation for past due unpaid contributions or other amounts payable to the Corporation at the time membership ceases. However, if a Franchisee operates under multiple Franchise Agreements and ceases to be bound by one or more Franchise Agreements, whether due to transfer, expiration or termination, but continues to be bound by other Franchise Agreements for Restaurants located in the Association Area, the Franchisee shall continue to be a member, but its voting rights shall be reduced to reflect the number of remaining Restaurants that the Franchisee owns in the Association Area. Likewise, to the extent the Franchisor or an affiliate of Franchisor owns or operates one or more Bakery Cafes in the Association Area and has been a member of the Corporation and ceases to own or operate any such Restaurants in the Association Area, then its membership with respect to such Restaurants will automatically terminate.

In accordance with the terms of the _____*[NAME OF AREA]*_____El Pollo Loco® restaurant Advertising Association Authorization Agreement, a representative of Franchisor shall be entitled to notice of all regular and special meetings of the Members of the corporation and shall have the right to attend all meetings, either in person or in any other manner of attendance authorized in these Bylaws. However, unless the Franchisor is a Member of the Corporation by virtue to vote at a meeting of the Members in accordance with Section 3.12 of these Bylaws.

Section 3.2 – Enrollment. Notwithstanding any of the foregoing, no person will be enrolled as a Member of the Corporation nor will it have any rights as a Member unless and until it has signed a Membership Agreement with the Corporation. Notwithstanding the foregoing, Members shall be required to make contributions as required by their Franchise Agreements, regardless of whether they have signed Membership Agreements.

Section 3.3 - Entity Membership. For all membership purposes, any business entity (corporation, partnership, limited liability company, etc.), together with its owners, is deemed a single Member.

Section 3.4 - Members in Good Standing. A Member will be in good standing as long as: (a) the Member is not delinquent in the payment of any contribution or other monetary obligation to the Corporation; and (b) Member shall not have received a notice of default from Franchisor with respect to one or more Restaurants located in the Association Area which default remains uncured to the satisfaction of Franchisor. Loss of good standing will not relieve the Member of the obligation to make contributions, when due.

Section 3.5 - Annual and Quarterly Meetings of the Members. The annual meeting of the Members shall be held for the election of directors, consideration and approval of the succeeding year's advertising budget and the transaction of such other business as may properly come before the meeting. The annual meeting will be held at such time

within the first quarter of the Corporation's fiscal year as the Board of Directors may determine. Quarterly meetings of the Members shall be held for consideration and approval of advertising and promotional programs and the transaction of such other business as may properly come before the meeting. In addition, at the final quarterly meeting of the fiscal year, the Members shall consider and approve the level(s) of Member contributions for the succeeding fiscal year. Quarterly meetings will be held at times within the second, third and fourth quarters of the Corporation's fiscal year as the Board of Directors may determine.

The notice of annual or quarterly meetings of Members, except as otherwise required by law, need not state the matters to be considered at such meetings.

Section 3.6 - Special Meetings. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by applicable law, may be called on the written request of (i) a majority of the Board of Directors, or (ii) Members constituting 25% of the voting rights of the Members in good standing, or (iii) Franchisor. Requests for a special meeting must state the purpose or purposes of the proposed meeting. The notice of any special meeting of the Members must state the purpose or purposes for which the meeting is called.

Section 3.7 - Place of Meeting. All meetings of the Members will be at such places as will be determined from time to time by the Board of Directors of the Corporation.

Section 3.8 - Notice of Meetings. Written notice of each meeting of the Members stating the Place, day and hour thereof, must be delivered to each Member of record entitled to vote at such meeting, personally or by telephone, telegram, cablegram, e-mail, first class mail, confirmed facsimile transmission or any other means of personal delivery providing evidence of actual delivery; and if mailed, the notice shall be deemed to be given when deposited in the United States mail addressed to the Members at the Members' addresses, as they appear in the records of the Corporation, with postage thereon prepaid. Notice must be given by or under the direction of the Secretary, or the officer or persons calling the meeting not more than sixty (60) not less than ten (10) days before the date of the meeting; provided that oral notice to the Member may be given in lieu of written notice so long as the party giving the notice to the Member files with the Corporation a written statement of the date, time, place and manner of the oral notice. No notice need be given of the time and place of reconvening of any adjourned meeting, if the time and place to which the meeting is adjourned are announced at the adjourned meeting.

Section 3.9 - Waiver of Notice. A written waiver of notice signed by any Member, whether before or after any meeting, shall be equivalent to the giving of timely notice to said Member. Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting and waiver of any and all objections to the place of the meeting, the time of the meeting, or the manner in which it has been called or convened, except when a Member attends a meeting for the express purpose, as stated at the beginning of the meeting, of objecting to the transaction of business because the meeting is not lawfully

called or convened. Neither the business to be transacted at, not the purpose of, any meeting of the Member need be specified in any written waiver of notice.

Section 3.10 - Closure of Books and Fixing of Record Date. For the purpose of determining Members entitled to notice of, or to vote at, any meeting of the Members or any adjournment thereof, the Board of Directors may provide that the books will be closed for a period of not less than three (3) and not more than thirty (30) days immediately preceding such meeting. If the books are not closed and no record date is fixed by the Board of Directors, the date on which notice of the meeting is mailed will be the record date for the determination of Members entitled to notice and to vote.

Section 3.11 – Quorum. Except as otherwise required by the Act, the Articles of Incorporation or these Bylaws, the presence of Members holding a majority of the votes will constitute a quorum at all meetings of the Members. In case a quorum is not present at any meeting, a majority of the Members present will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place to which the meeting is adjourned, until a quorum is present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed; but only those Members entitled to vote at the meeting as originally noticed will be entitled to vote at any adjournment or adjournments thereof.

Section 3.12 – Voting. Each Member will be entitled at each Members' meeting and upon each matter presented at such meeting to one vote for each El Pollo Loco® restaurant located in the Association Area that the Member owns, or, in the case of Franchisor, owns or operates. Notwithstanding the fixing of the record date in Section 3.10, Members may only participate in and vote at meetings subject to being in good standing, in accordance with the Bylaws, both on the record date and at the time of the meeting. Furthermore, in the event that a meeting is postponed or continue, a Member must be in good standing at the time the meeting is reconvened in order to participate and vote at the meeting.

Any Member who is not in good standing pursuant to Section 3.4(a) hereof shall have all rights and privileges of membership (including the right to vote and participate as a Member, director or officer in any meeting) suspended. Any Member who is not in good standing pursuant to Section 3.4(b) hereof shall have its right to vote (but not its right to participate) suspended at any meeting of the members or the board of directors of the Corporation. Any dispute regarding the good standing of a Member and its right to vote at a membership meeting will be determined conclusively by the Chairman of the meeting, in conjunction with the representative of the Franchisor present at the meeting, which determination will be final and binding. Any such suspension shall continue until the Member is in good standing again.

The list of Members must be produced at any Member's meeting upon the request of any Member. Upon the demand of any Member, the note upon any question before the meeting must be by written ballot. Except as otherwise provided by these bylaws, by the Act, or by the Articles of Incorporation, all matters will be decided by a majority of the

votes of Members present at the meeting. There is no cumulative voting for directors or on any other matter.

Section 3.13 – Representatives. If a Member is a corporation, limited liability company, partnership or other business entity, the Member will duly authorize one (1) person to represent its interests at Association meetings (the "**Representative**"). The Representative must be a: (i) shareholder, partner, member (in case of an LLC), director or officer of the Member; or (ii) the Member's Operating Partner, as defined in the Member's Franchise Agreement; or (iii) in the event the Member is Franchisor or one of its affiliates, an officer or other designated representative of Franchisor or its affiliate. The Corporation shall be entitled to rely on any written authorization appointing the Representative that the Corporation in good faith believes to be valid unless and until the Corporation shall have received an authorization for a successor Representative that the Corporation in good faith believes to be valid. The Corporation shall be entitled to rely on the Representative's decisions, votes and consents to bind the Member at any such meeting without any further inquiry. The same person can be a Representative for more than one (1) Member.

Section 3.14 - Action Without Meeting. Any action of the Members of the Corporation may be taken without a meeting, without prior notice and without a vote, if one or more consents in writing, setting forth the action so taken, are signed by the Members having not less than two-thirds (2/3) of the votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. Such consents must be delivered to the Corporation in the manner required by the Act. Neither the Articles of Incorporation nor these Bylaws will be construed, interpreted or deemed to have, in any way, limited or prevented the utilization of the ability to take written action in lieu of formal meetings as may be permitted by the Act.

Section 3.15 – Organization. Meeting of the Members must be presided over by the President, or if the President is not present, by the Vice President, if a Vice President has been elected, or if neither the President not the Vice President is present, then by a chairman to be chosen by a majority of the Members entitled to vote who are present in person at the meeting. The Secretary of the Corporation, or in the Secretary's absence, the Assistant Secretary, will act as secretary of every meeting, but if neither is present, the Members entitled to vote who are present in person may choose any person present to act as secretary of the meeting.

At all meetings of the Members the order of business will be as follows:

(1) Calling meeting to order.
(2) Proof of notice of meeting and determination of quorum.
(3) Reading and disposing of minutes of previous meeting.
(4) Announcement of purposes for the meeting.
(5) Reports of officers.
(6) Unfinished business.
(7) New business, including election of directors if an annual meeting.
(8) Adjournment.

Section 3.16 - Member Meetings by Telephone. Any Member may participate in a Members' meeting or may conduct a Members' meeting through the use of, any means of communication enabling all persons participating in the meeting to hear each other at the same time during the meeting. Participating by such means will constitute presence in person at a meeting.

ARTICLE 4 - Directors

Section 4.1 – Number. There will be at least three (3) directors on the Board. From time to time, the exact number of directors may be determined by vote of the Members at any time, but never less than three (3) and never an amount less than as otherwise required by the Act.

Section 4.2 – Vacancies. Whenever a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors or the removal of one (1) or more directors, it may be filled by the affirmative vote of a majority of the remaining directors even if the remaining directors constitute less than a quorum.

Section 4.3 - Removal of Directors. Any director may be removed with or without cause by vote of a majority of the Members at a membership meeting, or by written action in lieu of meeting signed by the Members having not less than two-thirds (2/3) of the votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present an voted.

Section 4.4 – Qualification. Each director must be either a Member (if the Member is an individual) or the Member's Representative. If there are less than three (3) Members at any time, then the franchisor, through Franchisor's representative designated as its "**Member's Representative**", shall have the right to designate two (2) directors one of which shall be the Member's Representative and the other shall be an officer of Franchisor. However, any director serving on the Board of Directors will be automatically suspended at any time during which the director, or the business organization for which the director is the Representative, is not in good standing. In addition, directors will be automatically removed as directors if, at any time, the Member with which they are associated is expelled from membership or is no longer a franchise of the Franchisor either because the Franchise Agreement has expired, or it has been terminated or transferred.

Section 4.5 – Terms. Directors will hold office until their respective successors are duly elected and qualified or until there is a decrease in the number of directors.

Section 4.6 – Resignation. Any director may resign at any time. Such resignation will be made in writing and will take effect upon its delivery to the President or the Board of Directors or its Chairman.

Section 4.7 – Powers. Except for those rights reserved to the Members under these bylaws, the business of the Corporation will be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things

as are not prohibited by the Act, by the Articles of Incorporation or by these Bylaws. The Board of Directors will determine the compensation, if any, to be paid to each officer and director of the Corporation, including those officers who may also be directors.

Section 4.8 – Meetings. The Board of Directors of the Corporation may hold meetings, whether annual or special, either within or without the State of Missouri, The annual meeting of the Board of Directors for the purpose of electing officers and transacting such other business as may be brought before the meeting will be held at such time and place as the Board of Directors may determine. The Board of Directors may by resolution provide for the time and place of other regular meetings, and no notice of such regular meetings need to be given.

All other meetings of the Board may be called on the written request of (i) any director or (ii) Members with 25% of the voting rights of Members in good standing, at such time and place as may be stated in such request.

In accordance with the terms of the ___*[NAME OF AREA]*_ El Pollo Loco® restaurant Advertising Association Authorization Agreement, a representative of Franchisor shall be entitled to notice of all regular an special meetings of the Board of Directors of the Corporation and shall have the right to attend all meetings, either in person or in any other manner of attendance authorized in these Bylaws. However, unless the Franchisor is a Director of the Corporation, the Franchisor representative shall have no right to participate in any action of the Board of Directors in accordance with Sections 4.10 and 4.11 of these Bylaws.

Section 4.9 - Notice of Special Meetings. Written notice of the place, day and hour of any special meeting of the Board of Directors must be given by or under direction of the Secretary, to each director at least two (2) days before the meeting; provided, however, that oral notice may be given to directors in lieu of written notice so long as the party giving the notice to the directors files with the Corporation a written statement of the date, time, place and manner of the oral notices. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors, need be stated in the notice or waiver of notice of such meeting.

Section 4.10 - Action Without a Meeting. Any action required to be taken, or which may be taken, at a meeting of the Board of Directors may be taken without a meeting, if a consent in writing, setting forth the action so to be taken, is signed by all of the directors entitled to vote. Such consent will have the same effect as a unanimous vote.

Section 4.11 - Quorum and Voting. At all meetings of the Board, a majority of the directors then in office will constitute a quorum for the transaction of business. The act of a majority of directors present at a meeting where a quorum is present will be the act of the Board of Directors, except as may be otherwise specifically provided by law, the Articles of Incorporation or these Bylaws. If at any meeting of the Board of Directors there is less than a quorum present, a majority of those present may adjourn the meeting, without further notice, from time to time and place to place until a quorum will have been obtained.

Section 4.12 – Organization. The President of the Corporation will act as Chairman and the Secretary will act as Secretary at all meetings of the Board.

Section 4.13 – Compensation. Directors must not receive any stated salary for their services as directors or as members of committees, but by resolution of the Board a fixed fee and /or expenses of attendance may be allowed for attendance at each meeting.

Section 4.14 - Attendance by Telephone. Any member or members of the Board of Directors will be deemed present and voting at a meeting of the Board if said member or members participate in the meeting by means of a conference telephone or other communications equipment enabling all persons participating in the meeting to hear other at the same time. Participation by such means will constitute presence in person at a meeting.

ARTICLE 5 - Officers

Section 5.1 – Officers. The officers of this Corporation will consist of a President, a Secretary and a Treasurer, and may consist of such other officers, including but not limited to one (1) or more Vice Presidents, Assistant Secretaries and Assistant Treasurers with such titles, powers and duties as may be prescribed from time to time by the Board of Directors. They will be elected by the Board of Directors at its annual meeting.

Section 5.2 - Term of Office; Vacancies. Each officer shall hold office for one (1) year and until such officer's successor is duly elected and qualified. A vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors.

Section 5.3 - Removal of Officers. Any officer may be removed at any time with or without cause by action of the Board of Directors by the affirmative vote of a majority of the directors then in office. Election or appointment of an officer will not of itself create contract rights.

Section 5.4 – Resignations. An officer may resign at any time by delivering notice to the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date of the pending vacancy.

Section 5.5 – Compensation. No compensation will be paid to any officer of the Corporation, except the Board of Directors may determine a fixed fee or other reimbursement for expenses.

Section 5.6 - Refund of Payment. In the event that the Internal Revenue Service disallows, in whole or in part, the deduction by the Corporation as an ordinary and necessary business expense of any payment made to an officer of the Corporation, whether as salary, commission, bonus or other form of compensation or as interest, rent or reimbursement of expenses incurred by such officer, such officer must reimburse the

Corporation to the full extent of such disallowance. The Board of Directors of the Corporation will have the duty to require each such officer to make such reimbursement, and it will be the legal duty of each such officer thus to reimburse the Corporation.

Section 5.7 - Powers and Duties.

A. In General. The officers of the Corporation will have such powers and duties as generally pertain to their respective offices, including the powers and duties provided by these Bylaws, as well as such powers and duties as from time to time may be conferred by the Board of Directors.

B. President. The President will:

(1) preside at all meetings of the Board of Directors in the absence of the Chairman of the Board, if any;

(2) present at each annual meeting of the directors a report of the condition of the business of the Corporation;

(3) cause to be called regular and special meetings of the directors in accordance with these Bylaws;

(4) jointly with the Treasurer, sign and make contracts and agreements in the name of the Corporation;

(5) see that the books, reports, statements and certificates required by statute are properly kept and filed according to law;

(6) jointly with the Treasurer, sign notes, drafts or bills of exchange, warrants or other orders for the payment of money duly drawn on behalf of the Corporation;

(7) supervise all employees of the Corporation including the hiring and firing of such employees as the President deems advisable;

(8) jointly with the Treasurer, purchase on behalf of the Corporation, tangible or intangible assets; and

(9) have general charge of and control over the affairs of the Corporation and perform the entire duties incident to such position and office, the enforcement of these Bylaws and all other things which the President is required to do by law.

C. Vice President. The Vice President, if any will;

(1) in the absence or disability of the President, perform the duties and exercise the powers of the President;

(2) perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

D. Secretary. The Secretary will:

(1) prepare the minutes of the meetings of the Board of Directors and keep the minutes in appropriate permanent books of record;

(2) give and serve all notices of the Corporation;

(3) be the custodian of the records and of the seal, and affix the latter when required, and authenticate records of the Corporation when required; and

(4) attend to all correspondence and perform all the duties incident to the office of the Secretary.

E. Treasurer. The Treasurer will:

(1) keep accounts of and have the care and custody of and responsible for all the funds and securities of the Corporation;

(2) deposit all such funds in the name of the Corporation in such back or banks, trust company or trust companies, or safe deposit vaults as the Board of Directors may designate;

(3) exhibit, at times required by law or these Bylaws, the corporate financial books and accounts to any director upon application at the office of the Corporation during business hours;

(4) render a statement of the condition of the finances of the Corporation (at each regular meeting of the Board of Directors, and at such other times as it will be required of the Treasurer) and a full financial report at the annual meeting of the directors;

(5) keep at the office of the Corporation current books of account of all its business transactions and such other books of account that the Board of Directors may require;

(6) jointly with the President, sign and make contracts and agreements in the name of the Corporation;

(7) jointly with the President, sign notes, drafts or bills of exchange, warrants or other orders for the payment of money duly drawn on behalf of the Corporation;

(8) jointly with the President, purchase on behalf of the corporation, tangible or intangible assets, and

(9) do and perform all other duties pertaining to the office of the Treasurer.

F. Assistant Secretary and Assistant Treasurer. The Assistant Secretary or Assistant Secretaries and the Assistant Treasurer will, in the absence or disability of the Secretary, or Treasurer, respectively, perform the duties of such officer and generally assist, in the case of an Assistant Secretary, the Secretary, or an Assistant Treasurer, the Treasurer.

Section 5.8 - Delegation of Duties. In the case of the absence or disability of any officer of the Corporation or for any other reason deemed sufficient by a majority of the Board, the Board of Directors may delegate such officer's respective powers or duties to any other officer or to any director or agent of the Corporation for a specified period or until said delegation is revoked by the Board of Directors, provided that such delegation is otherwise permitted by law and by the Articles of Incorporation and these Bylaws.

ARTICLE 6 - Contributions

Section 6.1 – Contributions. The Members will determine at the final quarterly Member meeting of the fiscal year the amount of contributions to be paid to the Corporation by its Members during the succeeding fiscal year. The amount of the contributions will

generally be a percentage of Net Sales, as defined in the most recent Disclosure Document issued by the Franchisors, uniform among Members on a per El Pollo Loco® restaurant basis. The Members may, subject to Franchisor's approval, vary the level of benefits and/or contributions for any El Pollo Loco® restaurant that is located in a geographical area in which broadcast coverage is less than eighty-five percent (85%), according to the most recent A.C. Nielsen or Arbitron coverage study, in order to achieve approximate equivalence in contributions and benefits of Members. If any Restaurants of a Member are located in geographical areas covered, according to the most recent A.C. Nielsen or Arbitron coverage study, by more than one regional advertising association, the variation in benefits and/or contribution may be coordinated with such other regional advertising association.

Section 6.2 Payment of Contributions

Subject to the terms of the _____*[NAME OF AREA]* El Pollo Loco® restaurant Advertising Association Authorization Agreement, the Board of Directors will set the dates and method of payment for contributions. However, Members will not have to pay their contributions for new Restaurants until after their El Pollo Loco® restaurant have opened for business.

Section 6.3 - Default in Payments. The Board of Directors will establish policies and procedures for dealing with situations in which Members have not timely paid contributions. The Board of Directors may set interest rates and fees to offset administrative expenses, collection costs, etc. for delinquent payments.

ARTICLE 7- Notices

Section 7.1 – Recording. Whenever these Bylaws require notice to be given to Members, directors, or committee members, proof of such notice whether given by mail, e-mail, telecopy, telephone, telegraph, cablegram or by personal contact will be recorded and filed by the Secretary in the minute book and incorporated into the minutes for the meeting to which such notice pertains.

Section 7.2 – Waiver. Whenever any notice of a meeting is required to be given under the provisions of the Act, of the Articles of Incorporation, or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice either before, at, or after the meeting, will be deemed equivalent to such required notice. Attendance of a person entitled to notice at a meeting will also constitute a waiver of notice of such meeting; provided, however, that such attendance will not constitute such a waiver if said person attends said meeting solely for the purpose of, and limits that person's participation at the meeting to, objecting to the transaction of any business because the meeting is not lawfully called or convened and states such objection at the beginning of the meeting.

ARTICLE 8 - Designated Financial Agents, Signatures and Seal

Section 8.1 - Designated Financial Agents. All funds of the Corporation will be deposited in the name of the Corporation in such bank or other financial institutions as

the Board of Directors may from time to time designate and will be drawn out on checks, drafts or other order signed on behalf of the Corporation by such person or persons as the Board of Directors may from time to time designate.

Section 8.2 - Other Agreements. Except as otherwise specifically provided by these Bylaws, all contacts, agreements, deeds, bonds, mortgages and other obligations and instruments must be signed on behalf of the Corporation by the President and Treasurer or by such other officers or agents as the Board of Directors may from time to time by resolution provide.

ARTICLE 9 - Amendments of Bylaws

The Bylaws may be altered, amended or repealed only by the Members at a meeting of Members, provided that the notice of the meeting contains a written proposal to amend these Bylaws along with the text of the amendments, and subject to the prior written approval of Franchisor in accordance with the _____*[NAME OF AREA]*_____El Pollo Loco® restaurant Advertising Association Authorization Agreement. Nevertheless, the amendment of any Bylaw or replacement of these Bylaws will not be effective unless it has been approved by a voting requirement that is in excess of the voting requirement that it is replacing. In other words, voting requirement specifying approval by two-thirds (2/3) can only be changed by a vote of at least that number.

ARTICLE 10 - Indemnification

Section 10.1 - Indemnification in Proceedings Other Than Actions by, or in the Right of, the Corporation. The Corporation will indemnify any person who was or is a party to any proceedings (other than an action by, or in the right of, the Corporation), by reason of the fact that that person is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, committee member, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against liability incurred in connection with such proceeding, including any appeal thereof, if the indemnitee acted in good faith and in a manner the indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the indemnitee's conduct was unlawful.

Section 10.2 - Indemnification of Persons Parties to a Proceeding by or in the Right of the Corporation. The Corporation will indemnify any person who was or is a party to any proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that person is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as the director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such proceeding, including any appeal thereof. Such indemnification may be authorized if such person acted in good faith and in a manner that person reasonably

believed to be in, or not opposed to, the best interests of the Corporation. Provided, however, that no indemnification may be made hereunder in respect of any claim, issue, or matter as to which such person has been adjudged to be liable, unless, and only to the extent that, the court in which such proceeding was brought, or any other court of competent jurisdiction, determines upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court deems proper.

Section 10.3 - Mandatory Indemnification. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any proceeding referred to in Sections 10.0 and 10.2 above, or in defense of any claim, issue or matter therein, such director, officer, employee or agent must be indemnified against expenses actually and reasonably incurred by such director, officer, employee or agent in connection therewith.

Section 10.4 - Authorized of Indemnification is Required. Any indemnification under Sections 10.1 and 10.2, unless pursuant to a determination by a court, may be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because the director, officer, employee, or agent has met the applicable standard of conduct set forth in Section 10.1 or 10.2. Such determination must be made pursuant to any procedures outlined by the Act, if any.

Section 10.5 - Additional Conditions to Indemnification. The Board, by a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding to which the indemnification relates, may impose such additional conditions upon any form of indemnification as the Board may deem appropriate, including, but not limited to, the right to assume the defense in appropriate circumstances, the right to select the attorney representing the indemnified person and the right to settle.

Section 10.6 - Prepayment of Expenses. Expenses (including attorneys' fees and expenses) incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon a preliminary determination following the procedures set forth in Section 10.04 that such indemnified person meets the applicable standard of conduct referred to therein and subject to any conditions imposed by the Board pursuant to this Article and the prior receipt by the Corporation of an undertaking satisfactory in form and substance to the Corporation that such person will promptly repay such amount unless it is ultimately determined that the person is entitled to be indemnified by the Corporation as authorized in this Article 10.

Section 10.7 - Indemnification Disallowed in Certain Circumstances. The indemnification provided pursuant to this article may not be made to or on behalf of any director, officer, employee, or agent if a judgment or other final adjudication establishes that such director's, officer's, employee's, or agent's actions, or omissions to act, were material to the cause of action so adjudicated and constitute:

A. a violation of the criminal law, unless the director, officer, employee or agent had reasonable cause to believe that such conduct was lawful or had no reasonable cause to believe such conduct was unlawful;

B. a transaction from which the director, officer, employee or agent directly or indirectly derived an improper personal benefit;

C. in the case of a director, a circumstance under which the director would be liable to the Corporation under the Act; or

D. willful misconduct or a conscious disregard for the best interests of the Corporation in a proceeding by or in the right of the Corporation to procure a judgment in its favor.

Section 10.8 – Nonexclusively. The Corporation has the power to make any other or further indemnification of any of its directors, officers, members of any committee, or any other person that the Corporation has the power by law to indemnify, including without limitation, employees or agents of the Corporation, under any bylaw, agreement, vote of disinterested directors, or otherwise, both as to action in any official capacity and as to action in another capacity while holding such office, except an indemnification against gross negligence or willful misconduct. The indemnification as provided in this Article will continue as to any person who has ceased to be a director, officer, or agent and will insure to the benefit of such person's heirs and personal representatives.

ARTICLE 11 - General Provisions

Section 11.1 - Fiscal Year. The fiscal year of the Corporation shall be either fifty-two (52) or fifty-three (53) weeks and end on the last Saturday in December of each year.

Section 11.2 - Gender and Number. Whenever the context requires, the gender of all words used herein includes the masculine, feminine and neuter, and the number of all words includes the singular and plural thereof.

Section 11.3 - Articles and Other Headings. The Articles and other headings contained in these Bylaws are for reference purposes only and will not affect the meaning or interpretation of these Bylaws.

Section 11.4 - Minutes, Books and Records of Account. The Corporation will keep correct and complete books and records of account and will keep minutes of the proceedings of its Board of Directors and other records as required by the Act.

Section 11.5 - Statutory Cites. Any reference in these Bylaws to the Act will include all revisions and amendments to the Act.

EXHIBIT 6: EL POLLO LOCO® FINANCIAL REPORTING FORM

You will be required to submit quarterly and year-end financial statements electronically in the following format. The financials should be comparative showing the prior year amounts for the same periods. There should be columns for both the recently completed quarter and a Year-to-date column, if applicable. Do not include officer's salary, auto expenses, or any other above restaurant expenses should not be included.

	Amount	%
Gross Sales	$ 0	
Net Sales	0	100.0 %
Food Cost	0	0.0 %
Paper Cost	0	0.0 %
Total Food & Paper	0	0.0 %
Gross Profit	0	0.0 %
Hourly and Manager labor	0	0.0 %
Fringe Benefits (a)	0	0.0 %
Total Labor	0	0.0 %
Utilities	0	0.0 %
Repair and Maintenance	0	0.0 %
Cash Over/Short	0	0.0 %
Controllable Costs (b)	0	0.0 %
Restaurant Controllable Profit	0	0.0 %
Advertising	0	0.0 %
Royalties	0	0.0 %
Third-Party Delivery Fees	0	0.0 %
Indirect Costs (c)	0	0.0 %
Occupancy Costs (d)	0	0.0 %
Restaurant Operating Profit	$	%

(a) To include payroll taxes, health benefits, vacation, and workers compensation expense
(b) To include trash, store security, uniforms, laundry, cleaning/janitorial, operating supplies, music and plant service, landscape, and other misc. restaurant costs not captured elsewhere.
(c) To include credit card fees, bank charges, licenses, permits, fees, and pre-opening costs
(d) To include minimum and percentage rent, property taxes and insurance.

EXHIBIT 7: IT SUPPORT SERVICES AGREEMENT

Customer:	
Franchise Store Number(s) Covered:	
Customer Site(s):	
Date of Franchise Agreement(s):	
Effective Date:	
Customer's Authorized Representative(s)/Contacts:	
Invoices to Customer to be sent to:	
Notices, if to Customer, to be sent to:	
El Pollo Loco IT:	
Notices, if to El Pollo Loco IT, to be sent to:	El Pollo Loco, Inc. 3535 Harbor Blvd., Suite 100 Costa Mesa, CA 92626
Term Commencement Date:	
Term Expiration Date:	Upon expiration of the Franchise Agreement(s), unless sooner terminated as provided by the Franchise Agreement(s)
Service Level Description	See Attached EPL IT Standard Platinum Service Description
Annual Fees:	See Attached Franchise Support Options
Special Terms:	See Website

The authorized representatives of Customer and EPL IT, intending to be legally bound, agree to the terms and conditions of this IT Support Services Agreement ("Agreement"), including without limitation documents incorporated by reference, as of the Effective Date.

EPL IT:
El Pollo Loco, Inc., a Delaware corporation

By:	
Name:	
Title:	
Date:	

Customer:
_____, a _____

By:	
Name:	
Title:	
Date:	

TERMS AND CONDITIONS

1. Performance. El Pollo Loco Informational Technology ("**EPL IT**") shall make available to Customer certain operations support services for the Service Level designated on the first page of this Agreement ("**Services**") based on EPL IT's standard description of services for such Service Level in accordance with the terms and conditions of this Agreement. The Services are limited to the standard EPL franchise store configuration unless otherwise agreed upon in writing by EPL IT ("**Standard Store Configuration**"). The Services are limited to those listed in the Services Descriptions in this Agreement and will be performed for the stated pricing. EPL IT shall perform additional services as detailed and mutually agreed to by the Parties upon additional payment by Customer, Services will be performed during EPL IT's normal business hours as listed in the Services Descriptions. EPL IT reserves the right to restrict access to the Services during periods of routine back-up, maintenance, scheduled downtime and other activities outside such normal business hours. Information relevant to Services may be posted on the EPL internal Customer website ("**Website**"). Information in the Website or other EPL documents, may be changed or updated without notice. EPL may also make improvements and/or changes in the Services or pricing at any time without notice.

2. Customer Obligations. As a condition precedent to EPL IT performing its obligations hereunder, and in addition to Customer's other obligations as set forth in EPL IT's standard description of services for the applicable Service Level, Customer shall timely provide the following at no charge to EPL IT: (a) access to and use of reasonable working space, facilities and utilities, (b) any information, software, equipment, data and/or documentation (collectively, "**Data**") that EPL IT reasonably requests from Customer that is necessary for EPL IT to properly perform its obligations hereunder; and (c) all components in the Standard Store Configuration and all updates, enhancements, upgrades and replacements thereto recommended or otherwise identified in writing by EPL IT. Customer represents to EPL IT that it has the right to grant EPL IT access to such facilities and Data for the performance of the Services. Such Data shall be kept confidential by EPL IT in accordance with Section 4. In the event that there are any delays by Customer in the timely providing of facilities, access, Data, or the Standard Store Configuration or there are errors or inaccuracies in the Data or the Standard Store Configuration provided, and such delays, errors or inaccuracies require additions, corrections or modifications related to EPL IT's performance hereunder, then any costs associated therewith shall be the responsibility of Customer, and EPL IT shall be entitled to appropriate adjustments. Customer shall designate two points of contact who shall be the only people to make inquiries to EPL IT under this Agreement, as set forth on the first page of this Agreement. Each Customer contact must possess, or at Customer's expense acquire the necessary familiarity, expertise and training on the Standard Store Configuration with direction by EPL IT. Prior to requesting support, Customer will comply with all published operating and troubleshooting procedures for the components of the Standard Store Configuration and, if such efforts are unsuccessful in eliminating the malfunction, Customer shall promptly notify EPL IT of any problems discovered in the operation of the Standard Store Configuration. Customer must identify the Franchise Store Number when accessing the Services. Customer must cooperate with EPL IT to

maintain a site activity log. Customer will perform routine preventive maintenance and cleaning of the Standard Store Configuration Customer shall be solely responsible for the accuracy of all Data collected and submitted to third party suppliers for credit card processing. Customer shall comply with such reasonable policies, procedures and rules relating to the Services as EPL IT may from time to time publish on its Website or designate in writing to Customer. Customer shall educate and train their restaurant managers in how to run their point of sales. Customer will ensure that all third parties, including its employees or contractors, using the Services or any components of Customer's Standard Store Configuration abide by Customer's obligations under this Agreement in their use thereof. Any act or omission of any third party related to Customer's obligations hereunder or the use of any Services, Reports or Standard Store Configuration shall be deemed to be the act or omission of Customer for all purposes whether or not Customer had knowledge of or had authorized such act or omission.

3. Price and Payment Terms. In consideration for the Services performed pursuant to this Agreement, Customer shall pay EPL IT based upon the fees specified on the first page of this Agreement ("**Fees**") and any Other Fees as defined below. EPL IT reserves the right to increase the Fees at any time, which would take effect upon the first day of the following month by providing Customer with thirty (30) days prior written notice setting forth the adjustment to the Fees. EPL IT shall automatically debit Fees from Customer's account via ACH funds transfer in accordance with the terms indicated on the first page of this Agreement. The first installment is due and payable on the first day of this Agreement. Subsequent payments or account ACH funds transfers will be made according to the schedule specified under the terms indicated on the first page of this Agreement. Customer shall reimburse EPL IT the following fees collectively defined as ("**Other Fees**") should they be incurred by Customer: (a) any reasonable and properly documented out-of-pocket travel and living expenses incurred by EPL IT personnel during their performance of the Services; (b) any reasonable and properly documented services and/or equipment, which EPL IT, or their designated representative, determines, as its sole and absolute right, to be outside the scope of the Services including, but is not limited to, (i) software license fees, (ii) software updates, (iii) hardware updates associated with software updates, (iv) onsite services, (v) consulting services, (vi) equipment and any associated shipping and handling charges incurred by EPL IT; and (c) the Professional service rates described under Complete I.T. Operations Support plus materials charges incurred in the performance of such services or if an outside designated representative is used, at the rate they charge plus materials charges incurred in the performance of such services. Invoices for Other Fees shall be submitted to Customer by EPL IT on a per incident basis. Customer may not withhold or set off any amounts due. EPL IT shall automatically direct debit Other Fees from Customer's account via ACH funds transfer upon advance written notice via electronic mail to Customer. All sums payable to EPL IT shall be made in United States dollars and due ten (10) days from the date of EPL IT's invoice should EPL IT be unable to direct debit Fees from Customer's account via ACH funds transfer. All amounts past due shall accrue interest from their due dates at the rate of one and one-half percent (1.5%) per month or the maximum percentage allowable by law (whichever is less). All amounts due (including the Fees) do not include any federal, state or local sales, use or excise taxes or other charges assessed against or payable by

EPL IT in connection with this Agreement, and Customer shall pay to EPL IT the amount of any such taxes that EPL IT may be required to pay on account of its performance under this Agreement except for any franchise tax or tax based upon EPL IT's net income or personal property. EPL IT reserves the right to cease performance and assert appropriate liens if all amounts are not paid in full when due.

4. Confidential & Proprietary Information. Each party shall maintain in strict confidence, and not disclose or distribute to any third person any Confidential Information of the other party for a period of three (3) years from the date of disclosure (except with respect to trade secrets, which shall be kept confidential until no longer qualifying as a trade secret). "**Confidential Information**" shall mean the information disclosed by either party pursuant to this Agreement that is (a) stamped or otherwise marked as being confidential by the disclosing party, (b) if disclosed in oral form, identified as confidential at the time of oral disclosure and is summarized by the disclosing party in a written memorandum marked as confidential and delivered within ten (10) business days after such disclosure, or (c) of such a nature as to put a reasonable party on notice as to the confidentiality of the information disclosed. Confidential Information does not include any information that: (i) entered the public domain through no fault of the receiving party; (ii) is rightfully received by the receiving party from a third party without similar non-disclosure obligations; (iii) is already known to the receiving party prior to disclosure by the disclosing party; (iv) is independently developed by the receiving party without reference to the Confidential Information of the disclosing party, or (v) is required to be disclosed by law, provided that the party intending to make such required disclosure shall promptly notify the other party of such intended disclosure in order to allow such party to seek a protective order or other remedy. The obligations set forth above in this Section shall not affect EPL IT's ownership of Inventions (as defined in Section 5) and all intellectual property rights therein, or EPL IT's full exercise of those Inventions and intellectual property rights, so long as EPL IT does not disclose Customer's Confidential Information. All Inventions shall constitute EPL IT's Confidential Information.

5. Proprietary Rights. EPL IT or its subcontractors or suppliers, as applicable, retain sole ownership of all designs, engineering details, data, methodologies, ideas, concepts, discoveries, inventions, improvements, works of authorship, technology or information. and all enhancements, modifications and derivative works thereof (collectively, "**Inventions**"), and all intellectual property rights therein, used or created by EPL IT or such subcontractors in the performance of the Services, and shall have the exclusive right to determine how to protect the Inventions. Reports or other work product delivered by EPL IT to Customer under this Agreement are provided to Customer with Limited Rights. "**Reports**" means the written reports or work product specifically produced by EPL IT in performing the Services and specified to be an item delivered to Customer. "**Limited Rights**" means the right of Customer to use the Reports in operating Customer's Standard Store Configuration for Customer's own internal business purposes only, but in no event the right to make copies, modifications, enhancements or derivative works thereof or resell, distribute, exploit or sublicense such Reports or any portion thereof. EPL IT retains for itself, its parent company, affiliates and subsidiaries, the right to retain and make copies of the Reports and to make use of the contents thereof for its

and their business use and, as to any portion of such contents that is not Customer's Confidential Information, to make use thereof for any purpose, whether internal or otherwise.

6. Limited Warranty. EPL IT warrants to Customer only that: (i) for a period of thirty (30) days from the date of completion of its performance of a particular task under the Services, the particular task will be performed in a good and workmanlike manner consistent with standard industry practices employed by persons knowledgeable in the field of computers and within the limits of the technology embodied in the Standard Store Configuration; and (ii) for a period of thirty (30) days from the date of delivery of a particular Report, that Report will be free from material defects in workmanship and materials, and will conform in all material respects to the applicable descriptions or specifications provided by EPL IT to Customer In the event of a breach by EPL IT of the foregoing warranty of which Customer notifies EPL IT in writing during the warranty period, EPL IT's sole obligation and Customer's exclusive remedy shall be for EPL IT to use commercially reasonable efforts to re-perform the task or to correct the portion of the Report that does not conform to such warranty. In the event EPL IT is unable to re-perform such task or to make such corrections, as applicable, the sole remedy of Customer and EPL IT' sole obligation shall be to recover the compensation actually paid to EPL IT for the Service or the Report giving rise to such warranty failure. This limited warranty with respect to any Services or Reports shall be voided in the event Customer: (i) makes additions to, alters, modifies, enhances, changes, repairs or disassembles or reverse engineers the Standard Store Configuration, or fails to maintain the Standard Store Configuration (or any component thereof or any equipment or facilities upon which such component depends) in good working order or the environmental conditions within the operating range specified by the manufacturer of the components in the Standard Software Configuration or EPL IT; (ii) uses the Standard Store Configuration or any Report in a manner for which it was not designed, or in an incompatible operating environment; or (iii) mishandles, abuses, misuses or damages the Standard Store Configuration. THE LIMITED WARRANTY STATED IN THIS SECTION AND THE REMEDIES FOR A FAILURE OR BREACH OF SUCH LIMITED WARRANTY ARE EXCLUSIVE. THEY ARE GIVEN TO CUSTOMER IN LIEU OF ALL OTHER WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, ACCURACY, QUIET ENJOYMENT, NON-INFRINGEMENT, OR COURSE OF PERFORMANCE OR DEALING, WHICH EPL IT SPECIFICALLY DISCLAIMS.

7. Limitation of Damages. IN NO EVENT SHALL EPL IT (OR ITS SUPPLIERS) BE LIABLE TO CUSTOMER FOR LOST PROFITS, LOSS OR INTERRUPTION OF BUSINESS, LOSS OF DATA OR ANY SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES, HOWEVER CAUSED, AND WHETHER BASED IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR ANY OTHER THEORY OF LIABILITY. THE FOREGOING LIMITATION SHALL APPLY EVEN IF EPL IT (OR ITS SUPPLIERS) KNOW OR HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE AND NOTWITHSTANDING ANY FAILURE OR

ESSENTIAL PURPOSE OF ANY LIMITED REMEDY PROVIDED FOR HEREIN. EXCEPT IN RESPECT OF INJURY TO OR DEATH OF ANY PERSON RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF EPL IT, ITS EMPLOYEES, AGENTS OR SUBCONTRACTORS (FOR WHICH NO LIMIT APPLIES), IN NO EVENT WILL EPL IT'S ENTIRE LIABILITY UNDER THIS AGREEMENT EXCEED THE GREATER OF (A) THE FEES PAID TO EPL IT FOR THE AFFECTED SERVICE OR REPORT UNDER THIS AGREEMENT OR (B) $5,000.00. IN NO EVENT SHALL EPL IT HAVE ANY LIABILITY FOR ANY COMPONENT OF THE STANDARD STORE CONFIGURATION (AS DESCRIBED IN THE EPL IT STANDARD SERVICES DESCRIPTION). IN ADDITION, EPL IT SHALL NOT BE LIABLE UNDER ANY CLAIM BROUGHT UNDER ANY THEORY OF LAW THAT AROSE MORE THAN ONE (1) YEAR PRIOR TO THE INSTITUTION OF SUIT THEREON. EPL IT SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED BY DELAY IN FURNISHING ANY COMPONENT OF THE STANDARD NETWORK OPERATING ENVIRONMENT, ANY REPORTS, ANY SERVICES, OR ANY OTHER PERFORMANCE UNDER OR PURSUANT TO THIS AGREEMENT. EACH PARTY ACKNOWLEDGES AND AGREES THAT THE FOREGOING LIMITATIONS ON LIABILITY ARE ESSENTIAL ELEMENTS OF THE BASIS OF THE BARGAIN BETWEEN THE PARTIES AND THAT IN THE ABSENCE OF SUCH LIMITATIONS, THE MATERIAL AND ECONOMIC TERMS OF THIS AGREEMENT WOULD BE SUBSTANTIALLY DIFFERENT.

8. Term & Termination. This Agreement shall commence on the term commencement date set forth above and continue in effect through the expiration of the Franchise Agreement(s) or the earlier termination of the Franchise Agreement(s) as listed above.

9. Default. If any material breach of this Agreement continues uncorrected for more than thirty (30) days after written notice from the aggrieved party describing the breach, the aggrieved party shall be entitled to declare a default, suspend performance, terminate this Agreement, and pursue any and all other remedies available at law or equity, except as specifically limited elsewhere in this Agreement.

10. Notices. Notices, authorizations and other official communications under this Agreement shall be transmitted in writing by prepaid United States certified mail, return receipt requested, or overnight receipted courier, to EPL IT, at the address and attention of the person set forth on the first page of this Agreement for EPL IT and to Customer, to the billing address and attention of the person set forth on the first page of this Agreement for Customer. Any notice given pursuant to this Section shall be deemed to have been received, in the case of certified mail, on the date of receipt as evidenced by the U.S. Postal Service return receipt card, and, in the case of overnight courier, on the next business day after sending, unless documented otherwise by recipient. All notices must be in the English language.

11. Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party, in whole or in part, without the prior written consent of the other party, such consent not to be unreasonably withheld.

Notwithstanding the preceding sentence, either party may assign this Agreement to its parent company or another affiliated company without the consent of the other party but upon written notice to the other party; provided that the successor unconditionally agrees in writing to be bound by the terms and conditions of this Agreement.

12. Subcontracting. EPL IT reserves the right to subcontract such portions of the Services to subcontractors of EPL IT's choice as it deems appropriate, provided that no such subcontract shall relieve EPL IT of primary responsibility for performance of such Services.

13. Reserved Rights. EPL IT's service offerings are continually evolving. Accordingly, EPL IT reserves the right to make service substitutions and modifications and to modify or amend its standard description of services for each Service Level at any time by publication including posting on its Website or written notice to Customer. All Services will be delivered in English. EPL IT reserves the rights to charge Customer if dispatch is required, or if the restaurant support center receives excessive training calls as described under Franchise Support Options – Fee Schedule.

14. Indemnification. Each party shall indemnify, defend and hold harmless the other with respect to any third party claim alleging bodily injury, including death, or damage to tangible property, to the extent such injury or damage is caused by the gross negligence or willful misconduct of the indemnifying party. Customer shall indemnify, defend and hold harmless EPL IT, at Customer's expense, from and against any action brought against EPL IT by a third party, to the extent that such action is based on a claim relating to Customer's Standard Store Configuration, Data or the performance of Services hereunder. A condition precedent to any obligation of a party to indemnify shall be for the other party to promptly advise in writing the indemnifying party of the claim and turn over its defense. The party being indemnified must cooperate in the defense or settlement of the claim, but the indemnifying party shall have sole control over the defense or settlement. If the defense is properly and timely tendered to the indemnifying party, then the indemnifying party must pay all litigation costs, reasonable attorney's fees, settlement payments agreed to by the indemnifying party and any damages finally awarded by a court; provided, however, that this shall not be construed to require the indemnifying party to reimburse attorney's fees or related costs that the indemnified party incurs either to fulfill its obligation to cooperate, or to monitor litigation being defended by the indemnifying party.

15. Independent Contractor. Nothing in this Agreement shall be interpreted or construed so as to create any relationship between the parties other than that of independent contracting entities. Neither party shall be authorized to obligate, bind or act in the name of the other party, except to the extent EPL IT is expressly authorized to do so in this Agreement.

16. Non-Solicitation. Customer shall not solicit or otherwise seek, directly or indirectly, to induce any of EPL IT's employees or contractors to work for Customer for a period of one (1) year after the employee or contractor ceases to be employed or

otherwise utilized by EPL IT or one (1) year after the termination of this Agreement, whichever is greater. Prohibited solicitation includes, but is not limited to, the direct solicitation of any individual or contracting with a third party to intentionally solicit an individual covered by this Section.

17. Similar Services. Customer acknowledges that EPL IT is free to offer services or work product similar to the Services or Reports to other EPL IT customers or third parties without restriction or royalty to Customer.

18. Applicable Law. The rights and obligations of the parties and all interpretations and performance of this Agreement shall be governed in all respects by the laws of the State of California except for its rules with respect to the conflict of laws.

19. Force Majeure. In no event shall either party have any liability for failure to comply with this Agreement if such failure results from the occurrence of any contingency beyond the reasonable control of the party and which delays, interrupts or prevents such party from performing its obligations under this Agreement, including, without limitation, strike or other labor disturbance or shortage, riot, theft, flood, lightning, storm, any act of God, power failure, war, delays or failure of third party equipment, software or service suppliers, national emergency, interference by any government or governmental agency, embargo or seizure. The party affected by a force majeure event shall give notice thereof to the other party within ten days following the occurrence thereof and shall apprise the other party of the probable extent to which the affected party will be unable to perform or will be delayed in performing its obligations hereunder. The affected party shall exercise due diligence to eliminate or remedy the force majeure cause and shall give the other party prompt notice when that has been accomplished. Except as provided herein, if performance of this Agreement by either party is delayed, interrupted or prevented by reason of any event of force majeure, both parties shall be excused from performing hereunder while and to the extent that the force majeure condition exists after which the parties' performance shall be resumed.

20. Waiver. Failure by either party to require performance by the other party or to claim a breach of any provision of this Agreement will not be construed as a waiver of any right accruing hereunder or of any subsequent breach, and will not affect the effectiveness of this Agreement or any part hereof, or prejudice either party regarding any subsequent action.

21. Invalidity. If any provision of this Agreement is held invalid, the remaining provisions shall continue in full force and effect and the parties shall substitute for the invalid provision a valid provision which most closely approximates the economic effect and intent of the invalid provision.

22. Attorneys' Fees. In any dispute or litigation between the parties, the prevailing party shall be entitled to reasonable attorneys' fees and all costs of proceedings incurred in enforcing this Agreement.

23. Entire Agreement. This Agreement constitutes the entire agreement between EPL IT and Customer with respect to the subject matter hereof and supersedes all previous negotiations, proposals, commitments, writings, advertisements, publications and understandings of any nature and in any manner whatsoever relating thereto but does not amend or supersede any Franchise Agreement between EPL and Customer. No agent, employee or representative of EPL IT has any authority to bind EPL IT to any affirmation, representation, or warranty concerning the Services and unless such affirmation, representation or warranty is specifically included within this Agreement, it shall not be enforceable by Customer or any assignee or sublicensee of Customer. Any terms and conditions on any Customer purchase order form or other document issued by Customer to implement this Agreement that are in addition to or in conflict with the terms and conditions of this Agreement shall be null and void, even if acknowledged in writing by EPL IT. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. A signature on this Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be treated as originals.

EPL IT STANDARD SERVICES DESCRIPTIONS
(Date: March 29, 2022)

For a current/updated EPL IT Standard Services Descriptions, click on:
http://www.myepl.net/no_auth/FranchiseHelpdeskAgreement.jsp

Platinum Service Descriptions
Unlimited number of calls per month per store
Standard Store Configuration includes:

- Back of house system
- Two front counter POS terminals with receipt printers
- Two drive thru POS terminals with receipt printer
- Four KDS systems (four monitors and four controllers)
- BROADBAND Wide Area Network connection, router and firewall
- All local area network components including equipment rack, UPS, patch panel, patch cords, cabling infrastructure and data jacks
- Normal Business Hours are 8:00 A.M. to 5:00 P.M., Pacific Time Monday through Friday excluding EPL IT's normal published holidays and schedule downtimes for maintenance and support*
- Backup internet
- WIFI (Consumer/Guest and Internal)
- Android Tablet (e.g., Samsung Galaxy Tab A)
- Four (4)) digital menu boards Four (4)) panels and Four (4)) controllers)

COMPLETE I.T. OPERATIONS SUPPORT

Hardware Service and Support:

Restaurant POS Equipment: Helpdesk will initiate advance depot repair and/or replacement for all POS hardware, including back of house server, KDS system, front of house terminals and cash drawers, receipt printers, network switch, UPS, (digital menu boards and controllers if requested by Customer) and line conditioners will be supported through an approved depot partner. Customer may enroll in the depot warranty program offered. Customer must notify EPL IT in writing at least 30 days prior to any changes in hardware support agreements Customer has established. Equipment replaced via our current approved depot partner "**Washburn**" is covered against breakage for 90 days after replacement depot processing. Customer is responsible for all costs associated with depot or any other hardware provider. All depot payments are processed directly to Customer accounts setup with the depot company directly. Customer may opt to maintain hardware support agreements with Micros or any other hardware provider at their own discretion. The EPL helpdesk will support full dispatch and implementation management of Customer that opt into the Washburn depot program. The EPL helpdesk will NOT support any hardware related issues for Customers that are not using an approved depot partner.

Software Service and Support includes:

- Micros Enterprise Management, currently version 5.7
- Patching of installed MyEpl.Net Web Based Portal
- Patching of critical security updates for installed operating system, currently version Windows 10 Professional
- Current updates on antivirus software
- Current updates on anti-malware software
- Endpoint DLP (data loss protection) which includes white listing
- Software disaster recovery tool
- Proactive monitoring via EPL Alerts program
- LMS (EDUonGO learning management solution)
- WIFI Cloud Management / Consumer WIFI
- Digital Menu Board management / price integration

Credit Card Processing includes:

- Acceptance of Visa, MasterCard, American Express and Discover
- Secure high speed credit card authorization as primary
- Secure low speed credit card authorization as backup
- NFC Payments (Apple Pay/Android Pay/Samsung Pay)
- Gift card Processing

Payment Card Industry ("PCI") Program includes:

- Educating EPL Franchisees about cardholder data security, the Payment Card Industry ("**PCI**") Data Security Standard ("**DSS**") and PCI DSS compliance
- Providing Automated Quarterly Network Scanning of stores for potential security issues.
- Executing a compliance strategy that helps to:
  - Eliminate the storage of prohibited data
  - Protect stored data
  - Secure the merchant network environment via compliance with the PCI DSS
  - Identify the payment applications used and ensures merchants use or switch to Payment Application ("**PA**") that comply with the PA-DSS
- Tracking and reporting on the program's progress each month

Firewall Service and Support includes:

- Repair and/or replacement cost of firewall
- Software maintenance on firewall
- Remote monitoring of up/down state
- Latest security updates to prevent unauthorized intrusion attacks
- Quarterly PCI Scanning
- WIFI Firewall / SSID Configuration

Broadband WAN Service and Support includes:

- High speed access to all credit card processing
- High speed access to MyEpl.net Portal
- Does not include unrestricted Internet access
- 24x7 active monitoring and alerting

Helpdesk includes:

- 7:00 am to 12:00 am** Helpdesk via a toll free number 1-888-POLLO-IT
- Single point of contact for hardware and cabling dispatch
- Menu changes***
- Pricing adjustments***
- Full portal support
- WAN troubleshooting and support
- Support on all IT and POS issues

MyEpl.Net Portal Service and Support includes:

- Access to standard corporate reporting
- Near real time sales performance data for all stores

Professional Service includes:

- Any service outside of the scoop of this Agreement will be billing at the following rates:

- Helpdesk rate $60 per hour
- Networking rate $120 per hour
- Development rate $120 per hour

* Business hours are subject to change
** Helpdesk hours are subject to change
*** Does not include Tax changes. Customer acknowledges and agrees that the data entered by EPL IT is on behalf of Customer. Customer acknowledges and agrees that it is their responsibility to verify the accuracy of the data inputted by EPL IT and also to maintain and update the data as needed. Any maintenance and/or updates Customer wishes EPL IT to perform must be communicated to EPL IT in writing in order for EPL IT to perform the maintenance and/or updates.

Franchise Support Options – Fee Schedule[1]

Service Description	**Annual Cost**[1]	**Monthly Cost**[1]	**Platinum Support Option**	**Payable to:**
Oracle Micros SEL	$324	$27	Yes	EPL
Quarterly PCI Scanning	$300[2]	$25[2]	Yes	EPL
Unlimited Number of Calls for Helpdesk Support including Credit Card Support	$2,004	$167	Yes	EPL
MyEpl.Net	$600	$50	Yes	EPL
Backup Internet (3G or LTE)	$300	$25	Yes	EPL
Network Management Fee	$300	$25	Yes	EPL
Mobile Device Management (Per Tablet)	$36	$3	Yes	EPL
Firewall Licensing[3]	$480	$40		
WIFI Controller (2 Access Points)	$135	$11.25	Yes	EPL
Learning Management Platform	$228	$19	Yes	EPL
Digital Menu Board and Preview Board[4]	$912	$76	Yes	EPL
Beyond Software[5]	$1,080	$90	Yes	EPL
Monthly Cost per Store[6]		**$558.25**		
Broadband WAN[7]	$1,188	$99	Yes	EPL
Radius Networks Curbside[8]	$600	n/a	Yes	EPL

NOTE: Mixed services not allowed. All service levels must be the same for all stores per Franchisee.

1 All fees listed in this Fee Schedule may change depending on vendor price changes.

2 The Annual Cost/Monthly Cost listed for Complete Firewall Service and Support and Quarterly PCI Scanning. However, this fee may range up to $20 depending on vendor price increases. There may be additional charges if any remediation is required.

3 Cloud hosted and managed firewalls require licensing fees. These costs are pass-through costs from the EPL approved licensing provider. The costs may actually be different than the amount shown due to price changes by vendor.

4 Digital Menu Board and Preview Board fees are determined by the count of digital menu panels. Each digital menu/preview board carries a vendor license fee of $14 per panel plus $5 per panel content management fee (minimum $15/month), with a standard configuration consisting of 4 panels. The costs may actually be different than the amount shown due to price changes by vendor and depending on the number of panels used.

5 Beyond software fees are $90 per month per restaurant location for application hosting and support. The fees will increase to $110 per month per restaurant location in 2023. Beyond offers inventory, ordering, temperature line checks, log scheduling, and reports. The costs may actually be different than the amount shown due to price changes by vendor.

6 Monthly rate based on standard store configuration. Support cost for non-standard configuration subject to change, based on actual hardware deployed.

7 BROADBAND service cost is approximate and subject to increase if 2Mx1M Broadband is not available. Services subject to additional costs are wireless broadband, business class cable, and Fractional or full T1. These costs are pass-through costs from the EPL approved broadband provider. The costs may actually be different than the amount shown due to price changes by vendor.

8 Radius Network Curbside cost is billed annually. This cost is pass-through cost which may actually be different than the amount shown due to price changes by vendor.

EXHIBIT 8: GENERAL RELEASE

This General Release ("**General Release**") is made effective _____, 20__, by the undersigned, _____, a _____ (referred herein after as the "**Franchisee**").

In consideration of El Pollo Loco, Inc., a Delaware corporation ("**Franchisor**"): _____; and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Franchisee hereby waives, releases, and forever discharges Franchisor, and all Franchisor's affiliates, and all the respective directors, officers, employees, attorneys, representatives and agents of said corporations, as well as parent corporations, subsidiaries, affiliates and any other legal entities which it owns or controls, individually or jointly, from any and all obligations, liabilities, claims, demands, actions and causes of action in law or in equity of whatsoever kind or nature arising prior to and including the date hereof, which Franchisee now has or may hereafter have by reason of any act, omission, event, deed or course of action having taken place, or which should have taken place, or on account of or arising out of any claimed violation of the Franchise Agreement, any claim for breach of any other express or implied agreement, claim for breach of any implied violation of the covenant of good faith and fair dealing or any other claims which relate or refer in any way to the relationship between Franchisor and Franchisee which arises on or before the date hereof insofar as said claims relate to the Franchise Agreement or any other agreement between Franchisee and Franchisor, any claim arising under or alleged violation of the California Franchise Relations Act, any Federal antitrust law or State antitrust law except as prohibited by law.

This General Release extends to claims arising from representations made by the Franchisor in the Franchise Disclosure Document except as prohibited by law. Furthermore, it is expressly acknowledged by each of the undersigned that any and all rights granted under Section 1542 of the California Civil Code are hereby expressly waived. Such statute reads as follows:

> **"Section 1542.**
> **A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her the settlement with the debtor or released party."**

Franchisee voluntarily waive all benefits and protections of Civil Code Section 1542, and any comparable law, and intend the release above to apply to known and unknown claims alike.

This General Release may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this General Release transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF each of the parties either personally or through its duly authorized signatory, as applicable, has executed this General Release effective as of the date(s) written below.

FRANCHISEE:

If an entity:

_____, a _____

By: _____

Name: _____

Title: _____

Date: _____

If an individual:

_____, an Individual

By: _____

Name: _____

Title: An Individual

Date: _____

EXHIBIT 9: CONSENT TO AND ASSIGNMENT OF FRANCHISE RIGHTS

A: To be Used for a Change of Ownership Interests in Franchisee

This Consent to and Assignment of Franchise Rights (the "**Consent Agreement**") dated _____, 20___ (the "**Effective Date**") by and between **El Pollo Loco, Inc**., a Delaware corporation ("**Franchisor**"), located at 3535 Harbor Blvd., Suite 100, Costa Mesa, CA 92626, Attn: Legal Dept re EPL #____, _____, a _____ (the "**Assignor**"), located at _____ , and _____, a _____, (the "**Assignee**"), located at _____.

RECITALS

A. Franchisor and Assignor are parties to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") pertaining to the operation of the El Pollo Loco restaurant located at _____ (the "**Restaurant**").

B. Assignor desires to assign all of his/her/its title, rights, privileges and interests and obligations under the Franchise Agreement to Assignee and to sell, transfer, and convey all of his/her/its title, rights, privileges, and interests to the Assets of the Restaurant to Assignee, all in accordance with the assignment provisions of the Franchise Agreement.

C. The Franchise Agreement requires that Assignor first obtain written consent of Franchisor before undertaking any assignment of the Franchise Agreement or sale of the assets of the Restaurant.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Recitals A through C above are incorporated herein and by this reference made a part of this Consent Agreement.

2. Subject to the terms and conditions set forth herein, and upon the payment to Franchisor of a transfer fee of _____ **Dollars ($____,000.00)**, Franchisor does hereby consent to the assignment by Assignor to Assignee of all of Assignor's rights, privileges, interests, and obligations under the Franchise Agreement.

3. Assignee shall execute the current form of Franchise Agreement (the "**Current Franchise Agreement**") for a term which coincides with the initial term of the Franchise Agreement and for which there shall be no initial franchise fee; and Assignee covenants, warrants and agrees that, as of the date hereof, all of the obligations, liabilities and provisions of the Current Franchise Agreement shall be fully performed and complied with by Assignee in its capacity as "Franchisee" under the Current Franchise Agreement,

including, but not limited to, payment in full of all obligations to Franchisor and to third parties arising from the existence, operation, or maintenance of the Restaurant.

4. ***If there are remodel requirements the following language will be used:*** "Assignee covenants, warrants and agree that the required reimage and/or remodel requirements, will be completed to the satisfaction of Franchisor no later than **ninety (90) days after the date of transfer of the Restaurant operation from Assignor to Assignee** ("**Changeover Date**")**.** Assignee agrees that such required reimage and/or remodel requirements will not be considered complete until Franchisor has agreed to the final completion in writing. Should the required reimage and/or remodel of the Restaurant not be completed to Franchisor's satisfaction, then Franchisor may terminate the Current Franchise Agreement under Section 18, entitled Default and Termination". ***If there are no remodel requirements the above language will be replaced with:*** "Franchisor acknowledges and agrees that as of the date of this Consent Agreement, there are no remodel requirements to be completed prior to the transfer of the Restaurant from Assignor to Assignee."

5. Assignee acknowledges and warrants:

a. that the Current Franchise Agreement and any related franchise disclosure documents, manuals, lists, forms and other documents previously transmitted to Assignee have been fully read and understood;

b. that Assignee is knowledgeable and experienced in regard to the operation of an El Pollo Loco restaurant and the Franchisor operating system;

c. that Assignee agrees to undertake, in accordance with the terms of the Current Franchise Agreement, such training as Franchisor may deem appropriate in connection with the operation and maintenance of the Restaurant;

d. that Assignee is fully aware that the initial term of the Current Franchise Agreement will expire on _____, and has no renewal option periods and the Current Franchise Agreement does <u>not</u> grant Assignee any territorial right or licenses, exclusive or otherwise; and

e. that as of the date of this Consent Agreement, the ownership interest in Assignee is divided as follows:

(i) _____ - ____%
(ii) _____ - ____%

f. that Assignee has conducted an independent study of the Restaurant, including consideration of any sales, profits or earnings figures that may have been made available to Assignee by or on behalf of Assignor, and in entering into this Agreement, Assignee relies solely upon such independent knowledge and in no respect has Assignee relied upon any representation, statement, endorsement or promise, either oral or written, by or on behalf of Franchisor.

6. Release.

a. In consideration of the consent by Franchisor granted herein, Assignor and Assignee (collectively "**Releasors**") do each hereby waive, release and forever discharge Franchisor, and all of Franchisor's affiliates, and all the respective directors, officers, employees, attorneys, representatives, and agents of said corporations, as well as parent corporations, subsidiaries, affiliates and any other legal entities which it owns or controls, individually or jointly, from any and all obligations, liabilities, claims, demands, actions and causes of action in law or in equity of whatsoever kind or nature arising prior to and including the date hereof, which Releasors now have or may hereafter have by reason of any act, omission, event, deed or course of action having taken place, or which should have taken place, or on account of or arising out of any claimed violation of the Franchise Agreement or the Current Franchise Agreement, any claim for breach of any other express or implied agreement, claim for breach of any implied violation of the covenant of good faith and fair dealing or any other claims which relate or refer in any way to the relationship between Franchisor and Assignee or Franchisor and Assignor or Assignor and Assignee which arises on or before the date hereof insofar as said claims relate to the Franchise Agreement, or the Current Franchise Agreement, or the Consent Agreement, and to the extent allowed by law, any claim for breach of the assignment of Assignor's title, rights, privileges, interests, and obligations under the Franchise Agreement as contemplated in this Consent Agreement, or any other agreement between Releasors (or any of them) and Franchisor, any claim arising under or alleged violation of the California Franchise Relations Act, any Federal antitrust law or State antitrust law except as prohibited by law.

b. This general release does not extend to claims arising from representations made by the Franchisor in the Franchise Disclosure Document. Furthermore, it is expressly acknowledged by each of the undersigned that any and all rights granted under Section 1542 of the California Civil Code are hereby expressly waived. Such statute reads as follows:

> **"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her the settlement with the debtor or released party."**

c. Releasors voluntarily waive all benefits and protections of Civil Code Section 1542, and any comparable law, and intend the release above to apply to known and unknown claims alike.

7. Assignor and Assignee understand and agree that Assignor shall remain secondarily liable in the event of any default by the Assignee under the Current Franchise Agreement, and that by entering into this Consent Agreement, Assignor and Assignee fully and unconditionally guarantee the Assignee's performance and compliance in all respects with the obligations, liabilities and provisions thereunder; provided, however, that

this guarantee shall not extend to any default of non-compliance with the obligations, liabilities, and provisions of the Current Franchise Agreement by Assignee during any extension of the initial term of the Current Franchise Agreement. Assignor further understands and agrees that, to the extent principals of Assignor have personally guaranteed the performance of Assignor under the terms and conditions of the Current Franchise Agreement, such personal guarantee shall NOT be modified by this Consent Agreement and any such guarantors shall not be released from liability of any kind or nature by the terms of this Consent Agreement. Franchisor agrees that a copy of any notice of default given to Assignee by Franchisor shall also be concurrently given to Assignor.

8. Unless Assignee is currently the franchisee of another El Pollo Loco restaurant, Assignor shall train, at Assignor's expense, Assignee and up to two (2) of Assignee's managers prior to Assignee's takeover of the operation of the Restaurant from Assignor, in order to train Assignee in the Franchisor operating system. Such training must be completed to Franchisor's satisfaction prior to turning over the running of the Restaurant to Assignee. In the event that Assignor wishes Franchisor to train Assignee's personnel in the Franchisor operating system, Assignor shall reimburse Franchisor for the cost of such training.

9. Assignor agrees to grant permission to Assignee for Assignee to access the historical sales and transactional information belonging to Assignor as stored in Assignor's Point of Sale system ("**POS**") prior to the effective date of this Consent Agreement.

10. Franchisor's consent to the assignment of Assignor's rights and obligations under the Franchise Agreement and the assets of the Restaurant is expressly contingent upon Assignor paying and discharging all obligations incurred in Assignor's operation of the Restaurant prior to the Changeover Date including, but not limited to, the following:

a. Any unpaid amounts owed Franchisor under monthly franchise billing statements for periods up to the Changeover Date which, through **_____, 20___** are estimated to be **_____Dollars ($_____)** and shall be payable through escrow, by cashier's check or by direct debit (ACH) to Franchisor. If the Changeover Date is not _____, 20___, the estimate should be adjusted by **_____Dollars ($_____)** per diem;

b. Taxes due or accrued and unpaid, including, but not limited to, the sales tax on food and consumables sold in the Restaurant;

c. Any federal, state or local taxes required to be withheld from employees' salaries and wages; and

d. Any and all amounts due suppliers and vendors to the Restaurant.

11. Within thirty (30) days following the Changeover Date, Franchisor shall prepare and submit to Assignor a final accounting for sums due together with a check for any sums due Assignor or a statement for any sums due Franchisor. In connection with such accounting, Franchisor shall have the right, without the obligation, to pay any bills incurred by Assignor prior to the Changeover Date and to add amounts so paid to amounts charged Assignor in such accounting. As of the Changeover Date, Assignee shall assume total responsibility for the operation of, and shall be solely responsible for, any obligations incurred in connection with the Restaurant prior to the Changeover Date in the event that such obligations have not been satisfied by Assignor.

12. All notices required under this Consent Agreement shall be in writing and shall be either (i) served personally; (ii) sent by certified or registered United States mail to the party to be charged with receipt thereof; (iii) by reputable overnight delivery service or (iv) sent via facsimile. Notices served personally are effective immediately on delivery, and those served by mail shall be deemed given forty-eight (48) hours after deposit of such notice in a United States post office with postage prepaid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. Notices served via facsimile shall be deemed to have been given the day of faxing such notice. The address for Franchisor, Assignor and Assignee shall be the address listed on the above in the first paragraph of this Consent Agreement. Franchisor, Assignor or Assignee may from time to time change its address for notice pursuant to this Section by giving a written notice of such change to the other party in the manner provided herein. Notwithstanding anything to the contrary contained herein, Franchisor may deliver bulletins and updates to the Manual by electronic means, such as by the internet (e-mail) or an intranet, if any, established by Franchisor. This notice provision supersedes any notice provision contained in the Franchise Agreement.

13. This Consent Agreement shall inure to the benefit of the successors and assigns of Franchisor, and to any and all of its affiliates, parents and subsidiaries, and shall be binding upon the heirs, representatives, successors and assigns of Assignor and Assignee.

14. Except as modified herein, all the terms and conditions of the Franchise Agreement shall be unaffected and remain in full force and effect.

15. The parties hereto acknowledge that they have read and fully understand the provisions of this Consent Agreement and that said provisions constitute a complete and exclusive expression of its terms and conditions.

16. The parties executing this Consent Agreement on behalf of Assignee or Assignor hereby represent and warrant that: (a) they have the full power, right and authority to enter into and execute this Consent Agreement; and (b) those persons whose signatures are hereinafter evidenced on this Consent Agreement on behalf of Assignee or Assignors are duly authorized signatories of Assignee or Assignors, fully empowered

to commit and bind Assignee or Assignors to those certain terms, covenants and conditions set forth herein.

17. If either party is a business organization, the party is duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Restaurant is located.

18. This Consent Agreement shall not be binding upon Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor.

19. This Consent Agreement may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. It shall not be necessary for Franchisor, Assignors and Assignee to execute the same counterpart(s) of this Consent Agreement for this Consent Agreement to become effective. A signature on this Consent Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Consent Agreement as of the date(s) written below.

FRANCHISOR:
El Pollo Loco, Inc., a Delaware Corporation

By: _____
Name: _____
Title: _____
Date: _____

ASSIGNOR:
_____,
a_____

By: _____
Name: _____
Title: _____
Date: _____

ASSIGNEE:
_____, a _____

By: _____
Name: _____
Title: _____
Date: _____

B: To be Used for an Entity Change by Franchisee

This Consent to and Assignment of Franchise Rights (the "**Consent Agreement**") dated _____, 20___ (the "**Effective Date**") by and between **El Pollo Loco, Inc**., a Delaware corporation ("**Franchisor**"), located at 3535 Harbor Blvd., Suite 100, Costa Mesa, CA 92626, Attn: Legal Dept re EPL # _____, _____, a _____ (the "**Assignor**"), located at _____ and _____, a _____, located at _____ (the "**Assignee**").

RECITALS

A. Franchisor and Assignor are parties to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") pertaining to the operation of the El Pollo Loco restaurant located at _____ (the "**Restaurant**").

B. Assignor desires to assign all of Assignor's title, rights, privileges and interests and obligations under the Franchise Agreement to Assignee and to sell, transfer, and convey all of such title, rights, privileges, and interests to the Assets of the Restaurant to Assignee, all in accordance with the assignment provisions of the Franchise Agreement.

C. The Franchise Agreement requires that Assignor first obtain written consent of Franchisor before undertaking any assignment of the Franchise Agreement or sale of the assets of the Restaurant.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Recitals A through C above are incorporated herein and by this reference made a part of this Consent Agreement.

2. Subject to the terms and conditions set forth herein, and upon the payment to Franchisor of an entity fee of **Five Hundred Dollars ($500.00)**, Franchisor does hereby consent to the assignment by Assignor to Assignee of all of Assignor's rights, privileges, interests, and obligations under the Franchise Agreement.

3. Assignee covenants, warrants and agrees that, as of the date hereof, all of the obligations, liabilities and provisions of the Franchise Agreement shall be fully performed and complied with by Assignee in its capacity as "**Franchisee**" under the Franchise Agreement, including, but not limited to, payment in full of all obligations to Franchisor and to third parties arising from the existence, operation, or maintenance of the Restaurant.

4. Assignee acknowledges and warrants:

a. that the Franchise Agreement and any related franchise disclosure documents, manuals, lists, forms and other documents previously transmitted to Assignee have been fully read and understood;

b. that Assignee is knowledgeable and experienced in regard to the operation of an El Pollo Loco restaurant and the Franchisor operating system;

c. that Assignee is fully aware that the initial term of the Franchise Agreement will expire on _____, and has no renewal option periods and the Franchise Agreement does not grant Assignee any territorial right or licenses, exclusive or otherwise; and

d. that as of the date of this Consent Agreement, the ownership interest in Assignee is divided as follows:

(i) _____ - ____%
(ii) _____ - ____%

5. Release.

a. In consideration of the consent by Franchisor granted herein, Assignor and Assignee (collectively "**Releasors**") do each hereby waive, release and forever discharge Franchisor, and all of Franchisor's affiliates, and all the respective directors, officers, employees, attorneys, representatives, and agents of said corporations, as well as parent corporations, subsidiaries, affiliates and any other legal entities which it owns or controls, individually or jointly, from any and all obligations, liabilities, claims, demands, actions and causes of action in law or in equity of whatsoever kind or nature arising prior to and including the date hereof, which Releasors now have or may hereafter have by reason of any act, omission, event, deed or course of action having taken place, or which should have taken place, or on account of or arising out of any claimed violation of the Franchise Agreement or the Current Franchise Agreement, any claim for breach of any other express or implied agreement, claim for breach of any implied violation of the covenant of good faith and fair dealing or any other claims which relate or refer in any way to the relationship between Franchisor and Assignee or Franchisor and Assignor or Assignor and Assignee which arises on or before the date hereof insofar as said claims relate to the Franchise Agreement, or the Current Franchise Agreement, or the Consent Agreement, and to the extent allowed by law, any claim for breach of the assignment of Assignor's title, rights, privileges, interests, and obligations under the Franchise Agreement as contemplated in this Consent Agreement, or any other agreement between Releasors (or any of them) and Franchisor, any claim arising under or alleged violation of the California Franchise Relations Act, any Federal antitrust law or State antitrust law except as prohibited by law.

b. This general release does not extend to claims arising from representations made by the Franchisor in the Franchise Disclosure Document. Furthermore, it is expressly acknowledged by each of the undersigned that any and all

rights granted under Section 1542 of the California Civil Code are hereby expressly waived. Such statute reads as follows:

> **"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her the settlement with the debtor or released party."**

c. Releasors voluntarily waive all benefits and protections of Civil Code Section 1542, and any comparable law, and intend the release above to apply to known and unknown claims alike.

6. Assignor and Assignee understand and agree that Assignor shall remain secondarily liable in the event of any default by the Assignee under the Franchise Agreement, and that by entering into this Consent Agreement, Assignor and Assignee fully and unconditionally guarantee the Assignee's performance and compliance in all respects with the obligations, liabilities and provisions thereunder; provided, however, that this guarantee shall not extend to any default of non-compliance with the obligations, liabilities, and provisions of the Franchise Agreement by Assignee during any extension of the initial term of the Franchise Agreement. Assignor further understands and agrees that, to the extent principals of Assignor have personally guaranteed the performance of Assignor under the terms and conditions of the Franchise Agreement, such personal guarantee shall NOT be modified by this Consent Agreement and any such guarantors shall not be released from liability of any kind or nature by the terms of this Consent Agreement. Franchisor agrees that a copy of any notice of default given to Assignee by Franchisor shall also be concurrently given to Assignor.

7. Assignor agrees to grant permission to Assignee for Assignee to access the historical sales and transactional information belonging to Assignor as stored in Assignor's Point of Sale system ("**POS**") prior to the effective date of this Consent Agreement.

8. Franchisor's consent to the assignment of Assignor's rights and obligations under the Franchise Agreement and the assets of the Restaurant to Assignee is expressly contingent upon: (i) Assignor paying and discharging all obligations incurred in Assignor's operation of the Restaurant prior to the date of transfer of the Restaurant operation from Assignor to Assignee ("**Changeover Date**"); and (ii) Assignee shall assume total responsibility for the operation of, and shall be solely responsible for, any obligations incurred in connection with the Restaurant prior to the Changeover Date in the event that such obligations have not been satisfied by Assignor.

9. All notices required under this Consent Agreement shall be in writing and shall be either (i) served personally; (ii) sent by certified or registered United States mail to the party to be charged with receipt thereof; (iii) by reputable overnight delivery service or (iv) sent via facsimile. Notices served personally are effective immediately on delivery,

and those served by mail shall be deemed given forty-eight (48) hours after deposit of such notice in a United States post office with postage prepaid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. Notices served via facsimile shall be deemed to have been given the day of faxing such notice. The address for Franchisor, Assignor and Assignee shall be the address listed on the above in the first paragraph of this Consent Agreement. Franchisor, Assignor or Assignee may from time to time change its address for notice pursuant to this Section by giving a written notice of such change to the other party in the manner provided herein. Notwithstanding anything to the contrary contained herein, Franchisor may deliver bulletins and updates to the Manual by electronic means, such as by the internet (e-mail) or an intranet, if any, established by Franchisor. This notice provision supersedes any notice provision contained in the Franchise Agreement.

10. This Consent Agreement shall inure to the benefit of the successors and assigns of Franchisor, and to any and all of its affiliates, parents and subsidiaries, and shall be binding upon the heirs, representatives, successors and assigns of Assignor and Assignee.

11. Except as modified herein, all the terms and conditions of the Franchise Agreement shall be unaffected and remain in full force and effect.

12. The parties hereto acknowledge that they have read and fully understand the provisions of this Consent Agreement and that said provisions constitute a complete and exclusive expression of its terms and conditions.

13. The parties executing this Consent Agreement on behalf of Assignee or Assignor hereby represent and warrant that: (a) they have the full power, right and authority to enter into and execute this Consent Agreement; and (b) those persons whose signatures are hereinafter evidenced on this Consent Agreement on behalf of Assignee or Assignors are duly authorized signatories of Assignee or Assignors, fully empowered to commit and bind Assignee or Assignors to those certain terms, covenants and conditions set forth herein.

14. If either party is a business organization, the party is duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Restaurant is located.

15. This Consent Agreement shall not be binding upon Franchisor unless and until it shall have been accepted and signed by authorized officers of Franchisor.

16. This Consent Agreement may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. It shall not be necessary for Franchisor, Assignors and Assignee to execute the same counterpart(s) of this Consent Agreement for this Consent Agreement to become effective. A signature on this Consent Agreement transmitted via facsimile or

electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Consent Agreement as of the date(s) written below.

FRANCHISOR:	ASSIGNOR:
El Pollo Loco, Inc., a Delaware Corporation	_____, a_____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

ASSIGNEE:

_____, a _____

By:
Name:
Title:
Date:

EXHIBIT 10: AMENDMENT TO FRANCHISE AGREEMENT TO APPLY DEVELOPMENT FEE

This Amendment to the Franchise Agreement to Apply Development Fee ("**Amendment**") is made on _____,____ by and among **El Pollo Loco, Inc.,** a Delaware corporation ("**Franchisor**") and _____, a_____ ("**Franchisee**").

RECITALS:

A. Franchisor and Franchisee are simultaneously entering into this Amendment to Franchise Agreement and a Franchise Agreement ("**Franchise Agreement**") for an El Pollo Loco® restaurant located at _____ ("**Restaurant**").

B. Franchisor and _____ ("**Developer**") entered into Franchise Development Agreement (#_____) dated _____ ("**Development Agreement**") for the Territory as set forth on **Exhibit A** to be developed as set forth in the Development Schedule as set forth on **Exhibit B** of the Development Agreement. Developer is an affiliate of Franchisee.

C. Franchisor and Franchisee wish to modify the terms of the Franchise Agreement as described in this Amendment.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises and covenants of the parties hereto, the parties agree as follows:

1. **Recitals.** Franchisor and Franchisee acknowledge and agree with all of the above listed recitals which are incorporated herein to this Amendment.

2. **Application of Development Fee towards the Initial Franchise Fee for the Franchise Agreement for the Restaurant**. Per the Development Agreement, Developer paid Twenty Thousand Dollars ($20,000) in Development Fees to be applied towards the Initial Franchise Fee for the Franchise Agreement for the Restaurant developed under the Development Agreement. This payment has been applied to the Initial Franchise Fee for this Franchise Agreement. Franchisee will pay the balance of _____ Thousand Dollars ($_____) in full within thirty (30) days of delivery of execution copies of this Agreement to Franchisee.

3. **Entire Agreement.** This Amendment and the Franchise Agreement embody the entire understanding between Franchisor and Franchisee with respect to the modifications set forth above and can be changed only by a writing signed by Franchisor and Franchisee. Except as modified herein, all the terms and conditions of the Franchise Agreement shall be unaffected and remain in full force and effect. In the event of any

inconsistency between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall control.

4. **Miscellaneous.** All capitalized terms not otherwise defined in this Amendment shall have the meanings given them in the Franchise Agreement. Titles and captions are for convenience only and shall not constitute a portion of this Amendment. The parties hereto acknowledge that they have read and fully understand the provisions of this Amendment and that said provisions constitute a complete and exclusive expression of its terms and conditions. The parties executing this Amendment on behalf of Franchisor and Franchisee are duly authorized to do so. This Amendment shall not be binding upon Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor. This Amendment may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. A signature on this Amendment transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF, this Amendment to the Franchise Agreement has been executed by the parties hereto as of the dates set forth below.

FRANCHISOR:	FRANCHISEE:
El Pollo Loco, Inc., a Delaware Corporation	_____, a_____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT 11: AMENDMENT TO SUCCESSOR FRANCHISE AGREEMENT

This Amendment to the Successor Franchise Agreement ("**Amendment**") is made on _____,____ by and among **El Pollo Loco, Inc.,** a Delaware corporation ("**Franchisor**") and _____, a_____ ("**Franchisee**").

RECITALS:

A. Franchisor and Franchisee are simultaneously entering into this Amendment to Successor Franchise Agreement and a Successor Franchise Agreement ("**Successor Franchise Agreement**") for an El Pollo Loco® restaurant located at _____ ("**Restaurant**").

B. Franchisor and _____ entered into that certain Franchise Agreement dated _____,____ ("**Original Franchise Agreement**"). The Original Franchise Agreement will expire on _____,____.

C. Franchisee and _____ ("**Landlord**"), entered into that certain Lease dated _____,____ ("**Lease**"). The Lease expires on _____,____ and has _____ option(s) to extend the term of the Lease for a period of ____ years (each).

D. Per the terms of the Original Franchise Agreement, Franchisee has requested a new El Pollo Loco® franchise agreement for a term of _____(___) years for the Restaurant ("**Successor Franchise Agreement**").

E. Franchisor and Franchisee wish to modify the terms of the Successor Franchise Agreement as described in this Amendment.

F. The effectiveness of the Successor Franchise Agreement and this Amendment are contingent upon Franchisee being in good standing as of the date first written above.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises and covenants of the parties hereto, the parties agree as follows:

1. **Recitals**. Franchisor and Franchisee acknowledges and agrees with all of the above listed recitals which are incorporated herein to this Amendment.

2. **Commencement Date and Expiration Date of Successor Franchise Agreement**. Paragraph 3.1 of the Successor Franchise Agreement is hereby deleted in it's entirely and replaced with the following: "The term of this Successor Franchise Agreement shall **commence on** _____,____ **and shall expire on** _____,____ ("**Term**"), unless sooner terminated as provided herein. Should Franchisee lease the site of the Restaurant, the lease or sublease must be for a

term which with renewal options is not less than the Term of the Successor Franchise Agreement, and contain the following terms and conditions set forth below and in a form approved by Franchisor:

(a) The tenant entity on the lease must match the franchise entity on the successor franchise agreement; and
(b) The term (with renewal options) of the lease must match at least the initial term of the successor franchise agreement; and
(c) The landlord consents to your use of the premises as an El Pollo Loco® restaurant which will be open during the required days and hours set out in the El Pollo Loco® Manual.

Should Franchisee be unable to lease the site of the Restaurant for a term equal to the Term, then as our sole and absolute right to determine, the Term of the Successor Franchise Agreement may be reduced to match the term of the lease or sublease and the renewal franchise fee will be appropriately pro-rated. Upon the expiration or earlier termination of this Successor Franchise Agreement, Franchisee shall have no right or option to extend the term of this Successor Franchise Agreement."

3. **Amendment (Site Development, Improvements, Fixtures and Equipment, and Grand Opening Advertising)**. Sections 4.1, 5.8 and 8.8 of the Successor Franchise Agreement are hereby deleted in their entirety; provided however, that Sections 4.1, 5.8 and 8.8 shall be reinstated in the event that Franchisor grants Franchisee the right to relocate the Restaurant under Section 23.17.a, 23.17.b and 23.17.c of the Successor Franchise Agreement.

4. **Successor Franchise Fee**. The first sentence of Section 6.1.a of the Successor Franchise Agreement is hereby deleted and replaced with the following: "Per the renewal fee described in the Original Franchise Agreement, Franchisee will pay in full a renewal franchise fee of _____Dollars ($_____) ("**Renewal Franchise Fee**"). The Renewal Franchise Fee will be paid within thirty (30) days of delivery of execution copies of this Amendment and Successor Franchise Agreement to Franchisee; provided, however, if the Restaurant is a Turnkey Restaurant the Renewal Franchise Fee shall be payable upon execution of this Successor Franchise Agreement."

5. **Rights to a Successor Franchise.** Section 20 of the Successor Franchise Agreement is hereby deleted and replaced with the following: "Franchise shall have no right or option to extend the Successor Term of this Successor Franchise Agreement. In order for Franchisee to operate beyond the Successor Term, Franchisee must meet the then-current criteria to become an El Pollo Loco franchisee and enter into a then current form of Franchise Agreement and ancillary agreements, the terms of which may vary substantially from this Amendment and Successor Franchise Agreement."

6. **Entire Agreement**. This Amendment and the Successor Franchise Agreement embodies the entire understanding between Franchisor and Franchisee with respect to the modifications set forth above and can be changed only by a writing signed by Franchisor and Franchisee. Except as modified herein, all the terms and conditions of the

Successor Franchise Agreement shall be unaffected and remain in full force and effect. In the event of any inconsistency between the terms of this Amendment and the terms of the Successor Franchise Agreement, the terms of this Amendment shall control.

7. **Miscellaneous**. All capitalized terms not otherwise defined in this Amendment shall have the meanings given them in the Successor Franchise Agreement. Titles and captions are for convenience only and shall not constitute a portion of this Amendment. The parties hereto acknowledge that they have read and fully understand the provisions of this Amendment and that said provisions constitute a complete and exclusive expression of its terms and conditions. The parties executing this Amendment on behalf of Franchisor and Franchisee are duly authorized to do so. This Amendment shall not be binding upon Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor. This Amendment may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. A signature on this Amendment transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

IN WITNESS WHEREOF, this Amendment to the Successor Franchise Agreement has been executed by the parties hereto as of the date(s) set forth below.

FRANCHISOR:	FRANCHISEE:
El Pollo Loco, Inc., a Delaware Corporation	_____, a_____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT 12: REMODEL SCHEDULE PARTICIPATION AGREEMENT

THIS REMODEL SCHEDULE PARTICIPATION AGREEMENT ("**Remodel Agreement**") is made and entered into as of _____,_____ ("**Effective Date**"), by and between **El Pollo Loco, Inc**., a Delaware corporation (the "**Franchisor**") and _____, a _____ ("**Franchisee**").

RECITALS:

A. Franchisor and Franchisee are parties to the El Pollo Loco Franchise Agreements referenced hereto and incorporated herein as **Exhibit A**. The Franchise Agreements listed on **Exhibit A** shall be referred to collectively herein as "**Franchise Agreements**" and individually as "**Franchise Agreement**". The Restaurants listed on **Exhibit A** shall be referred to collectively herein as "**Restaurants**" and individually as "**Restaurant**".

B. Franchisor and Franchisee desire to set forth the terms and conditions whereby Franchisee will remodel all the Restaurants as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Remodel Agreement the parties agree as follows:

AGREEMENT:

1. The Recitals listed above are incorporated herein and by this reference made a part of this Remodel Agreement.

2. Franchisee, at Franchisee's expense, will remodel all Restaurants as described in **Exhibit A** to then current El Pollo Loco® standards, format, design and image, as designated pursuant to plans and specifications provided by Franchisor ("**Remodel Requirements**"). All signs to be used in connection with the Restaurant, both exterior and interior, must conform to Franchisor's sign criteria as to type, color, design and location and be approved in writing by Franchisor prior to installation or display.

3. Franchisee covenants, warrants and agrees that the required Remodel Requirements will be completed in each of Franchisee's Restaurants, to the satisfaction of Franchisor no later than the dates listed on **Exhibit A**. Franchisee agrees that such required Remodel Requirements will not be considered complete until Franchisor has agreed to the final completion in writing. **Should the required Remodel Requirements of any or all Restaurants not be completed to Franchisor's satisfaction, then such violation of this Remodel Agreement and/or the Franchise Agreements is deemed to be a material breach and Franchisor hereby reserves all rights and remedies available under this Remodel Agreement and the operative Franchise Agreement.** In addition, Franchisee acknowledges and agrees that Franchisor will inspect the first Restaurant to ensure the Remodel Requirements have been complied with. Only after

Franchisor's approval of the remodel of the first Restaurant, then Franchisee may remodel any or all of the remaining Restaurants, more than one at a time. Should Franchisor not approve the remodel of the first Restaurant, Franchisee will have to finalize the remodel of that Restaurant and seek Franchisor's re-inspection and approval of that Restaurant before continuing onto the remodel of any or all of the remaining Restaurants.

4. In consideration of Franchisor's consent to Franchisee's participation in the remodel deadlines granted herein, Franchisee hereby waives, releases and forever discharges Franchisor, all Franchisor's affiliates, and all the respective directors, officers, employees, attorneys, representatives, and agents of said entities, from all obligations, liabilities, claims, actions and causes of action of whatever kind or nature, including, but not limited to, any alleged violation of the California Franchise Relations Act or any other similar state statute or regulation, any Federal or State antitrust claims, any claimed violation of the Franchise Agreement, any claim for breach of any implied covenant of good faith and fair dealing or any other claims which relate or refer in any way to the relationship between Franchisor and Franchisee which arose on or before the date hereof, it is understood and agreed that any and all rights granted to Franchisee under Section 1542 of the California Civil Code are hereby expressly waived. Such statute reads as follows:

> **"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her the settlement with the debtor or released party."**

5. Franchisee hereby agrees to indemnify and defend the Franchisor, its officers, directors, shareholders, employees, agents and affiliates against and hold them harmless from any loss, liability, claim, damage, award, settlement, cost or expense (including reasonable legal fees and expenses) incurred in connection with any suit or claim of action brought against any such indemnified party in connection with Franchisee's participation in the remodel and/or the services or goods provided by Franchisor in connection therewith, including but not limited to, any breach by Franchisee of this Remodel Agreement.

6. This Remodel Agreement embodies the entire understanding between Franchisor and Franchisee with respect to the matters set forth herein and can be changed only by a writing signed by Franchisor and Franchisee. Except as otherwise modified by this Remodel Agreement, the terms and conditions of the Franchise Agreements shall remain unchanged and in full force and effect. In the event of any inconsistency between the terms of this Remodel Agreement and the terms of the Franchise Agreement, the terms of this Remodel Agreement shall control.

7. The parties executing this Remodel Agreement on behalf of Franchisor and Franchisee are duly authorized to do so. This Remodel Agreement shall not be binding upon Franchisor unless and until it shall have been accepted and signed by an authorized

officer of Franchisor. This Remodel Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Remodel Agreement. A signature on this Remodel Agreement transmitted via facsimile or electronic mail/PDF or equivalent , electronic signature (such as DocuSign, or equivalent), shall be considered an original for all purposes hereunder.

8. Should any party hereto institute any action or proceeding at law or in equity, or in connection with an arbitration, to enforce any provision of this Remodel Agreement, including an action for declaratory relief, or for damages by reason of an alleged breach of any provision of this Remodel Agreement, or otherwise in connection with this Remodel Agreement, or any provision thereof, the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and costs for services rendered to the prevailing party in such action or proceeding or in connection with the collection of any judgment thereby obtained.

9. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provisions contained herein and any present or future statute, law, ordinance or regulation, the latter shall prevail; but the provision of this Remodel Agreement which is affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event any portion of this Remodel Agreement is determined to be invalid or unenforceable, the balance of all other provisions shall remain in full force and effect.

10. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed this Remodel Agreement as of the date(s) set forth below.

FRANCHISOR:	FRANCHISEE:
El Pollo Loco, Inc., a Delaware Corporation	_____, a _____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT A
FRANCHISE AGREEMENTS & REMODEL DEADLINES

Location No	Address	City	State	ZIP	Agreement Signed	Next Remodel Due

EXHIBIT 13: AMENDMENT TO FRANCHISE AGREEMENT
(To be offered if you qualify for the Development Incentive Program and provided you have sign a Franchise Development Agreement for a New Market)

THIS AMENDMENT TO FRANCHISE AGREEMENT ("**Amendment**") is made and entered into this ___ day of _____, by and between **El Pollo Loco, Inc.,** a Delaware corporation ("**Franchisor**"), with its principal place of business at 3535 Harbor Blvd, Suite 100, Costa Mesa, California 92626 and _____, a _____, with its principal place of business at _____ ("**Franchisee**").

RECITALS:

A. Franchisor and Franchisee entered into a Franchise Agreement dated _____ ("**Franchise Agreement"**).

B. Franchisor and Franchisee (as Developer) entered into a Franchise Development Agreement #_____ dated _____ ("**Development Agreement**").

C. Franchisor and Franchisee wish to modify the terms of the Franchise Agreement to include the Development Incentive Program from the Development Agreement to apply to the Franchise Agreement provided Franchisee meet certain criteria described below.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein contained, the parties hereto agree as follows:

1. Recitals. Recitals listed above are incorporated herein and by this reference made a part of this Amendment.

2. Development Incentive Program.

a. Reduced Royalty. If the Opening Date of the Restaurant is on or before the date shown on the Development Schedule on Exhibit B of the Development Agreement ("**Restaurant's Compliance Opening Date**"), Franchisor will reduce the monthly royalty rate according to the schedule below ("**Reduced Royalty**"). If Franchisee closes the Restaurant at the Location, the reduced royalty will end even if Franchisee relocates the Restaurant to another location in accordance with Franchisor's site selection and approval procedures.

Reduced Royalty	Applicable Time Period (Measured from the Opening Date)
2%	Year 1
3%	Year 2
4%	Year 3
5%	Year 4 and subsequent years

b. Refund of Fifty percent (50%) of the Initial Fee. If the Opening Date of the Restaurant is at least one hundred eighty (180) days before the Restaurant's Compliance Opening Date, Franchisor will refund fifty percent (50%) of the Initial Fee ("**Partial Initial Fee Refund**") no later than thirty (30) days after the Opening Date.

3. Entire Agreement. This Amendment and the Franchise Agreement embodies the entire understanding between Franchisor and Franchisee with respect to the modifications set forth above and can be changed only by a writing signed by Franchisor and Franchisee. Except as modified herein, all the terms and conditions of the Franchise Agreement shall be unaffected and remain in full force and effect. In the event of any inconsistency between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall control.

4. Miscellaneous. All capitalized terms not otherwise defined in this Amendment shall have the meanings given them in the Franchise Agreement. Titles and captions are for convenience only and shall not constitute a portion of this Amendment. The parties hereto acknowledge that they have read and fully understand the provisions of this Amendment and that said provisions constitute a complete and exclusive expression of its terms and conditions. The parties executing this Amendment on behalf of Franchisor and Franchisee are duly authorized to do so. This Amendment may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. A signature on this Amendment transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent) shall be considered an original for all purposes hereunder

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Amendment in duplicate original as of the date(s) set forth below.

FRANCHISOR: **El Pollo Loco, Inc**., a Delaware corporation	_____, a _____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EL POLLO LOCO® FRANCHISE AGREEMENT SCHEDULE 1: STATEMENT OF OWNERSHIP OF FRANCHISEE

Name of Party to Franchisee Entity	Ownership Percent of Franchisee
_____ (This Party will be the Only Party to Receive Notice on behalf of Franchisee)	%
	%

EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT

Dated: _____

Territory:
Developer:

(Disclosure Document Control No. 032922)

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EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT
(Non-exclusive/Exclusive)

THIS FRANCHISE DEVELOPMENT AGREEMENT (**"Agreement**") dated for identification purposes only as of _____, is made and entered into by and between **El Pollo Loco, Inc.,** a Delaware corporation, with its principal place of business at 3535 Harbor Blvd, Suite 100, Costa Mesa, California 92626 (referred to herein as "**El Pollo Loco**" or "**Franchisor**") and _____a_____, with its principal place of business at _____ ("**Developer**").

Recitals.

A. Franchisor owns certain proprietary and other property rights and interests in and to the "**El Pollo Loco®**" trademark and service mark, and such other trademarks, service marks, logo types, insignias, trade dress designs and commercial symbols as Franchisor may from time to time authorize or direct Developer to use in connection with the operation of a(n) "**El Pollo Loco®**" restaurant (the "**El Pollo Loco® Marks**" or "**Marks**"). Franchisor has a distinctive plan for the operation of retail outlets for the sale of fire-grilled food items and related products, which plan includes but is not limited to the El Pollo Loco® Marks and the Operations Manual (the "**Manual**" or "**Operations Manual**"), policies, standards, procedures, employee uniforms, signs, menu boards and related items, and the reputation and goodwill of the El Pollo Loco® chain of restaurants (collectively, the "**El Pollo Loco® System**").

B. Developer represents that it is experienced in and has independent knowledge of the nature and specifics of the restaurant business. Developer represents that in entering into this Agreement it has relied solely on its personal knowledge and has not relied on any representations of Franchisor or any of its officers, directors, employees or agents, except those representations contained in any legally required Franchise Disclosure Document delivered to Developer.

C. Developer desires to obtain development rights for multiple restaurants under the El Pollo Loco® System (each, an "El Pollo Loco® Restaurant") from Franchisor within a specified geographical (the "**Territory**") specified in **Exhibit A** attached hereto and made a part hereof ***(or if single unit, replace with "Developer desires to obtain development rights for a single restaurant*** under the El Pollo Loco® System ("**El Pollo Loco® Restaurant**") ***from Franchisor within a specified address (the "Territory") specified in Exhibit A attached hereto and made a part hereof.")***

D. Franchisor is willing to grant the **(non-exclusive/exclusive)** right to develop and open El Pollo Loco® Restaurant(s) within the Territory referenced in **Exhibit A.**

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein contained, the parties hereto agree as follows:

1. Development Rights in Territory.

1.1. Franchisor hereby grants to Developer, subject to the terms and conditions of this Agreement ***(if Section 2.20 is applicable add ", and specifically Section 2.20 hereof,")*** and as long as Developer shall not be in default of this Agreement or any other development, franchise or other agreement between Developer and Franchisor, **(non-exclusive/exclusive)** development rights to establish and operate ____ franchised El Pollo Loco® Restaurant(s) within the Territory, and to use the El Pollo Loco® System solely in connection therewith, at these specific locations to be designated in separate Franchise Agreement(s) (the "**Franchise Agreements**"). ***(If exclusive agreement, add "Developer expressly acknowledges that the exclusive rights granted herein apply only to the right to develop new restaurants in the Territory, and no exclusive territory or radius protection for the term of any Franchise Agreement is granted herein and any such protection shall be set forth in the particular Franchise Agreement to be signed.")*** The Franchise Agreements (and all ancillary documents attached as Exhibits to the Franchise Agreement, including the Personal Guarantee) executed in accordance with this Agreement shall be in the form currently in use by Franchisor at the time of execution of the Franchise Agreement and shall be executed individually by each person, partner, member or shareholder.

1.2. ***(Only applies if exclusive Agreement. Delete if non-exclusive Agreement.)*** Except as otherwise provided in this Agreement and subject to the terms and conditions of Section 2.20 hereof, after the date of this Agreement and during the term of this Agreement, and so long as Developer is in compliance with its obligations under this Agreement, Franchisor shall neither, without Developer's prior written consent: (i) grant development rights to anyone else with respect to the Territory or any part of the Territory; nor (ii) establish or franchise any person to establish an El Pollo Loco restaurant under the Marks and System at any location within the Territory. Franchisor expressly retains all other rights and may, among other things, on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein:

a. Establish and operate or franchise others to establish and operate an El Pollo Loco restaurant located outside of the Territory;

b. Sell the same or similar products (whether or not using the Marks), as will be sold by Developer in a developed El Pollo Loco restaurant, to customers at any retail location (whether within or outside of the Territory), through any method or channel of distribution, including, without limitation, at retail locations such as grocery or convenience stores and via the Internet, telemarketing and direct marketing means, through other non-El Pollo Loco restaurants having the same or similar menu items, or through any other distribution channel or through "**Ghost Kitchens**" which we define as a professional food preparation and cooking facility set up for the preparation of delivery-only meals whether of not the facility produces menu items for multiple brands or just for El Pollo Loco® restaurants. Additionally, no Protected Area exists for El Pollo Loco® restaurants located in

"**Non Traditional Venues**," which we define as any of the following types of venues: regional shopping malls, airports, mass transit stations, professional sports stadiums and arenas, hotels and other types of lodging facilities, military bases, entertainment centers, amusement parks, casinos, universities and other types of schools, hospitals and other types of health care institutions, or similar types of captive market locations that we may designate. We will determine and designate those shopping malls that in our judgment qualify as a regional shopping mall based on the size of the shopping complex, number of anchor tenants, existence of dedicated parking space, existence of unrelated merchandisers, and prevailing consumer and industry perceptions. Franchisor and Developer retain all other rights and obligations in this Agreement;

c. Establish and operate or franchise others to establish and operate restaurants (not using the Marks) having the same or similar menu items whether within or outside of the Territory; and

d. Any continued operation by Franchisor, or the allowance of any continued operation by a franchisee of Franchisor, of an El Pollo Loco restaurant within the Territory which was opened on or before the date of this Agreement shall not be considered to constitute a breach of this Agreement.

1.3. ***(Only applies to multi-unit Development Agreement – delete if single-unit Development Agreement).*** Prior to or concurrent with the execution of this Agreement, Developer shall meet with Franchisor's development representatives and prepare a market development plan for the units to be constructed and opened by Developer in the Territory (identifying specific key areas, key intersections and trade areas in the Territory) and all development pursuant to this Agreement shall be in accordance with this plan (the "**Market Plan**"). The Market Plan shall include proposed areas where sites may be located, ranking and prioritization of site locations and other information customarily used by market planners in the restaurant industry. Developer and Franchisor shall jointly approve the Market Plan.

2. Limitation on Development Rights.

2.1. Developer must submit one or more site(s) for approval, enter into binding leases or purchase agreements and open to the public the number of El Pollo Loco® Restaurant(s) on such approved sites each calendar year as required on the Development Schedule, all as set forth on **Exhibit B** attached hereto and made a part hereof.

2.2. For purposes of the Development Schedule in **Exhibit B**, no credit will be given for the development of El Pollo Loco® Restaurant(s) outside the Territory, regardless of the fact that Developer may, upon proper application, obtain from Franchisor aFranchise Agreement for any such development.

2.3. Although this Agreement affords the Developer the right to develop and open El Pollo Loco® Restaurant(s) within the Territory, as set forth on **Exhibit A**, all El Pollo Loco® Restaurant(s) developed under this Agreement must be duly licensed through individual Franchise Agreement(s). Developer will execute El Pollo Loco's then standard Franchise Agreement in use at the time of execution for each restaurant developed under this Agreement, and agrees to pay Franchisor the current fees, royalties and other required payments in accordance with the Franchise Agreement and Franchise Disclosure Document then in effect. Execution of the appropriate Franchise Agreement and payment of the initial franchise fee and/or any other required fees must be accomplished prior to the commencement of construction at any site.

2.4. Developer must satisfy all Franchisor's financial and operational criteria then in effect and in addition, if Developer is also a Franchisee of one or more El Pollo Loco® restaurants, Franchisee must also be in good standing with Franchisor and satisfy all Franchisor's financial and operational criteria then in effect prior to El Pollo Loco's execution of each standard Franchise Agreement issued pursuant to this Agreement. Developer shall provide Franchisor with current information pertaining to Developer's financial condition and the financial condition of the majority and managing members/partners/shareholders of Developer at any time upon El Pollo Loco's request and in no event less than once annually. Developer acknowledges that, among other things, it will be required to submit annual financial statements of Developer and personal financial statements of each of its principal owners and Managing Members to be eligible for financial approval by El Pollo Loco. In the event any of the majority owners of Developer shall also be the Managing Members and/or majority owners of any other entity which is a franchisee of El Pollo Loco, then each such franchisee entity must be operationally and financially approved by Franchisor before approval for expansion will be granted to any one franchisee entity. "**Managing Members**" shall be any individuals who are designated as the primary decision makers or general managers of the franchisee entity and those individuals who (individually or collectively) own at least 51% interest in the franchisee entity.

2.5. Developer shall use its best efforts to retain qualified real estate professionals (including licensed brokers) to locate proposed sites for the El Pollo Loco® Restaurant(s). Developer shall submit proposed sites for each El Pollo Loco® Restaurant unit to be developed under this Agreement for acceptance by Franchisor's Real Estate Site Approval Committee ("**RESAC**"), together with such site information as may be reasonably required by Franchisor to evaluate the proposed site, no later than the dates set forth in **Exhibit B** as RESAC Submittal Dates, the first of which shall be approximately ninety (90) days after execution of this Agreement. Should the site be accepted by RESAC, it will be referred to as the "**Approved Site**". Such acceptance will expire one (1) year from the RESAC approval date. Franchisor may require, as a condition to its approval of a site, a "**Market Study**", which shall include a site description and analysis, traffic and other demographic information and an analysis of the impact of the proposed site on other company owned and franchised El Pollo Loco restaurants surrounding or within the vicinity of such proposed site all in such format as the Franchisor may require.

All such analyses, information and studies shall be prepared at the sole cost and expense of Developer.

2.6. Franchisor shall send representatives to evaluate proposed site(s) for each El Pollo Loco® Restaurant to be developed under this Agreement, and Franchisor will do so at its own expense for the first two (2) proposed sites for each El Pollo Loco® Restaurant. If Developer proposes, and Franchisor evaluates, more than two (2) sites for each El Pollo Loco® Restaurant, then Developer shall reimburse Franchisor for the reasonable costs and expenses incurred by Franchisor's representatives in connection with the evaluation of such additional proposed site(s), including, without limitation, the costs of lodging, travel, meals and wages.

2.7. Provided there exists no default by Developer under this Agreement or any other development, franchise or other agreement between Franchisor and Developer, Franchisor shall evaluate each site proposed for which Developer has provided all necessary evaluation information, and shall promptly after receipt of Developer's proposal, send to Developer written notice of acceptance or non-acceptance of the site.

2.8. If RESAC determines through its evaluation of the proposed site that the proposed site may impact sales at any company-owned El Pollo Loco® restaurant, Franchisor has the sole and absolute right to accept or reject the proposed site, without any obligation to discuss a possible resolution with Developer. However, Franchisor may elect to discuss with Developer a possible resolution with regards to the proposed site; however, if such an agreement cannot be reached, Franchisor has the sole and absolute right to reject the proposed site. If RESAC determines through its evaluation of the proposed site that the proposed site may potentially impact sales at any existing El Pollo Loco® franchisee's restaurant, Franchisor shall notify Developer of the existing El Pollo Loco® franchisee's (or franchisees') location(s) and contact information. If nevertheless Developer wishes to try to proceed with that site, Developer must obtain a written waiver from those existing El Pollo Loco® franchisee(s) of any claims they might have against Developer and Franchisor with respect to the proposed new El Pollo Loco® Restaurant. Such waiver, if obtained, must be submitted along with the evaluation information required pursuant to this Section.

2.9. No later than the Site Commitment Dates set forth in **Exhibit B**, Developer shall submit for the Approved Site to Franchisor for its review and approval of:

a. A fully negotiated but unexecuted lease, which may only subject to obtaining necessary governmental permits. The unexecuted form of the lease must be submitted to Franchisor to review for the required terms and conditions listed in Sections 2.9, 2.10, 2.11 and 2.12 below **prior** to full execution of the lease. Franchisor will promptly notify Developer upon their approval of the inclusion of such required terms and conditions. Developer will promptly then provide a final executed copy of the lease to Franchisor; or

b. A purchase agreement. Should Developer purchase the site using another entity other than the franchise entity, Developer must then enter into a lease with the Franchise entity as the lessee and the purchasing entity as the lessor and must comply with all the requirements of this Sections 2.9, 2.10, 2.11 and 2.12 below).

2.10. Any lease to be entered into by Developer shall include the terms and conditions set forth below and shall be in a form approved by Franchisor:

a. The tenant entity on the lease must match the franchise entity on the franchise agreement; and

b. The term (with renewal options) of the lease must match at least the initial term of the franchise agreement; and

c. The landlord consents to your use of the premises as an El Pollo Loco® restaurant which will be open during the required days and hours set out in the Operations Manual.

2.11. Franchisor shall have no liability under any lease or purchase agreement for any El Pollo Loco® Restaurant location developed under this Agreement and shall not guarantee Developer's obligations thereunder. Upon approval by Franchisor of the form of Developer's lease and execution of a lease for a site by Developer, Developer shall furnish to Franchisor a fully executed copy of such lease and any amendments thereto within fifteen (15) calendar days of such execution. Franchisor shall have no obligation to assist Developer to negotiate its leases.

2.12. The lease or deed may not contain any non-competition covenant which restricts Franchisor or any franchisee or licensee of Franchisor, from operating an El Pollo Loco® restaurant or any other retail restaurant, unless such covenant is approved by Franchisor in writing prior to the execution by Developer of the lease.

2.13. Each subsequent site to be developed pursuant to the Development Schedule shall be submitted for approval by RESAC by the date set forth in **Exhibit B.** Similarly, each fully executed lease (executed upon prior review and approval by Franchisor) or purchase agreement (with all contingencies to Developer's obligations waived or satisfied, except permitting contingencies) relating to each subsequent Approved Site shall: (1) be delivered to Franchisor on or before the Site Commitment Date for each respective El Pollo Loco® Restaurant as set forth in **Exhibit B** and (2) prior to the execution of your Franchise Agreements (3) prior to the payment of your initial franchise fees for each site and (4) prior to the commencement of construction of the El Pollo Loco® Restaurant.

2.14. RESAC site approval does not assure that a Franchise Agreement will be executed. Execution of the Franchise Agreement is contingent upon Developer completing the purchase or lease of the proposed site within sixty (60) days after approval

of the site by the Franchisor or no later than the dates set forth in **Exhibit B** as Site Commitment Dates.

2.15. Developer acknowledges that time is of the essence in this Agreement. If Developer has not obtained approval and entered into a binding lease or purchase agreement for each site for El Pollo Loco® Restaurant(s) to be developed under this Agreement by the applicable Site Commitment Date, Developer shall be in default of its obligations under the Development Schedule and Franchisor shall be entitled to exercise its rights and remedies under this Agreement, up to and including termination of this Agreement.

2.16. Developer also acknowledges that it is required pursuant to this Agreement to open El Pollo Loco® Restaurants in the future pursuant to dates set forth in the Development Schedule attached as **Exhibit B**. If Developer fails to meet the opening date for any El Pollo Loco® Restaurant to be developed under this Agreement, Developer shall be in default and Franchisor shall be entitled to exercise all rights and remedies available to Franchisor set forth in Section 11. Developer acknowledges that if Developer fails to open El Pollo Loco® Restaurants in a timely manner pursuant to the Development Schedule, Franchisor will suffer lost revenues, including royalties and other fees which would be difficult to calculate and which Franchisor would have received had Developer met the agreed schedule or had Franchisor had the right to grant development rights to others in the Territory.

2.17. Developer acknowledges that the estimated initial investment and estimated expenses set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to and likely to increase over time, and that future El Pollo Loco® Restaurants will likely involve a greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to you prior to your execution of this Agreement.

2.18. Developer understands and acknowledges that in accepting Developer's proposed site or by granting a franchise for each Approved Site, Franchisor does not in any way, endorse, warrant or guarantee either directly or indirectly the suitability of such site or the success of the franchise business to be operated by Developer at such site. The suitability of the site and the success of the franchise business depend upon a number of factors outside of Franchisor's control, including, but not limited to, the Developer's operational abilities, site location, consumer trends and such other factors that are within the direct control of the Developer.

2.19. The purpose of this Agreement is to promote orderly incremental growth within the El Pollo Loco® System. The acquisition of existing El Pollo Loco® restaurants by Developer does not represent incremental growth and, therefore, does not satisfy the terms of this Agreement pertaining to development.

2.20. (To be added where there are existing restaurants in the Territory) Developer acknowledges that Franchisor (i) is operating or has franchised another

to operate, one (1) or more El Pollo Loco®restaurants in the Territory or (ii) has granted franchise rights to another in the Territory or (iii) approved a new site for development for those locations identified in Exhibit C attached hereto and incorporated herein by this reference. Developer further acknowledges that Franchisor retains the sole and absolute right to approve or disapprove any proposed location for development under this Agreement if, in Franchisor's reasonable judgment: (i) such proposed location is not suitable for an El Pollo Loco® Restaurant or (ii) such proposed location will have a material adverse effect on the profitability of another existing El Pollo Loco® location (or approved site) in the Territory. Developer covenants to use its reasonable best efforts to avoid selecting proposed locations that would adversely impact pre-existing locations in the Territory.

3. Development Fee.

3.1. Developer shall pay to Franchisor upon execution of this Agreement a non-refundable Development Fee (the "**Development Fee**") equal to Twenty Thousand Dollars ($20,000) in immediately available funds, for each El Pollo Loco® Restaurant to be developed under this Agreement. The Development Fee is consideration for this Agreement. The Development Fee is not consideration for any Franchise Agreement and is non-refundable. The $20,000 Development Fee for each El Pollo Loco® Restaurant shall be applied against the initial franchise fee payable upon the execution of the Franchise Agreement applicable to such El Pollo Loco® Restaurant. As a benefit of signing the Development Agreement, the initial franchise fee for the second and each subsequent restaurant developed under the same Development Agreement will be reduced by us to $30,000. As an example, the initial franchise Ffee for the first restaurant developed under a Development Agreement would be $40,000 to which $20,000 (from the Development Fee will be credited. The initial franchise fee for the second and remaining restaurants developed under the same Development Agreement would be $30,000, to which $20,000 from the Development Fee will be credited. If this Agreement is terminated pursuant to Sections 10 or 11 below, Developer will lose its right to develop and any and all Development Fees.

4. Term of Development Agreement.

4.1. This Agreement shall commence on the date specified in **Exhibit B**. Unless terminated pursuant to Section 10 or 11 below, it shall expire upon the earlier of the date specified in **Exhibit B** or upon the opening of the last El Pollo Loco® Restaurant listed in the Development Schedule.

5. Territory Conflicts.

5.1. The rights granted Developer in this Agreement are subject to any prior territorial rights of other franchisees which may now exist in the Territory, whether or not those rights are currently being enforced. In the event of a conflict in territorial rights, whether under a Franchise Agreement or separate territorial or development agreement,

Developer shall be free to negotiate with any person, corporation or other entity, which claims territorial rights adverse to the rights granted under this Agreement, for the assignment of those prior territorial rights. For this purpose, Franchisor agrees to approve any such assignment not in conflict with the other terms of this Agreement, subject to the condition of any Franchise Agreements involved, and current policies pertaining to assignments, including, but not limited to, satisfaction of all past due debts owed to Franchisor and the execution of a General Release.

5.2. In the event of third-party claims of the right to develop the Territory, it is the sole responsibility of El Pollo Loco, where the right granted herein is exclusive, to protect and maintain Developer's right to the development of the Territory. However, if it appears to El Pollo Loco, as its sole and absolute right to determine, that protection of the Territory by legal action is not advisable, whether due to the anticipation of, or the actual protracted nature of the action, the costs involved, the uncertainty of outcome, or otherwise, Franchisor has the right to terminate this Agreement, provided that it refunds to Developer the balance, if any, of the Development Fee made pursuant to Section 3, which has not been applied against the initial franchise fees for Franchise Agreement(s) to be acquired under this Agreement.

6. Proprietary Rights of El Pollo Loco.

6.1. Developer expressly acknowledges El Pollo Loco's exclusive right, title, and interest in and to the trade name, service mark and trademark "**El Pollo Loco**", and such other trade names, service marks, and trademarks which are designated as part of the El Pollo Loco® System , and Developer agrees not to represent in any manner that Developer has any ownership in El Pollo Loco® Marks. This Agreement is not a Franchise Agreement. Developer may not open an El Pollo Loco® Restaurant or use the El Pollo Loco® Marks at a particular site until it executes a Franchise Agreement for that site. Developer's use of the El Pollo Loco® Marks shall be limited to those rights granted under each individual Franchise Agreement. Notwithstanding the foregoing, El Pollo Loco may authorize Developer in writing to use the Marks in connection with advertising and marketing activities in connection with this Agreement. Developer expressly agrees that such usage is limited to those specific activities or promotional materials approved by El Pollo Loco's marketing department in advance. Developer further agrees that its use of the Marks shall not create in its favor any right, title, or interest in or to El Pollo Loco® Marks, but that all of such use shall inure to the benefit of El Pollo Loco, and Developer has no rights to the Marks except to the degree specifically granted by the individual Franchise Agreement(s). Building designs and specifications, color schemes and combinations, sign design specifications, and interior building layouts (including equipment, equipment specification, equipment layouts, and interior color schemes and combinations) are acknowledged by Developer to comprise part of the El Pollo Loco® System. Developer shall have no right to license or franchise others to use the Marks by virtue of this Agreement.

6.2. Developer acknowledges that, in connection with its execution of this Agreement, it may receive confidential and proprietary information regarding the El Pollo

Loco® System, including but not limited to the El Pollo Loco Operational Manual. Developer recognizes the unique value and secondary meaning attached to the El Pollo Loco® Marks and the El Pollo Loco® System, and Developer agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use will cause irreparable damage to Franchisor and its franchisees. Developer, therefore, agrees that if it should engage in any such unauthorized or improper use during, or after, the term of this Agreement, Franchisor shall be entitled to both seek temporary and permanent injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

6.3. Developer acknowledges that it will receive one (1) copy of the Operations Manual on loan from Franchisor and that the Operations Manual shall at all times remain the sole property of the Franchisor.

7. Insurance and Indemnification.

7.1. Throughout the term of this Agreement, Developer shall obtain and maintain insurance coverage with insurance carriers acceptable to Franchisor in accordance with Franchisor's current insurance requirements as modified from time to time. A certificate of insurance will be issued to Franchisor evidencing the required insurance coverage detailed in this Section. Such insurance coverage shall commence upon execution of this Agreement. Promptly following the date any policy of insurance is renewed, modified or replaced during the term of this Agreement, Developer will issue to Franchisor certificates of insurance evidencing such coverage. Developer shall insure for public (general) liability, in the amount of at least One Million Dollars ($1,000,000) combined single limit. Developer also shall carry such worker's compensation insurance as may be required by applicable law. All policies must contain provisions waiving rights of recovery against any named insured by subrogation. All coverages shall be placed with a financially stable insurer with a minimum AM Best Ratings of A-VII.

7.2. For the benefit of Franchisor, Developer shall obtain an additional insured endorsement naming Franchisor. The endorsement shall state the above described insurance shall be primary and not contributory, as to Franchisor; with a waiver of subrogation in favor of Franchisor. All public liability and property damage policies shall contain a provision that El Pollo Loco, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss incurred by El Pollo Loco, its affiliates, officers, agents and/or employees, by reason of the negligence of Developer, its principals, contractors, agents and/or employees. All policies shall extend to and provide indemnity for all obligations assumed by Developer hereunder and all other items for which Developer is required to indemnify Franchisor under the provisions of this Agreement, whether or not the liability arose from the negligence of Franchisor, its principals, contractors, agents or employees, and shall provide Franchisor with at least thirty (30) days' notice of cancellation, termination of coverage or material reduction of coverage.

7.3. Franchisor reserves the right to specify reasonable changes in the types and amounts of insurance coverage required by this Section 7. In the event that Developer fails or refuses to obtain or maintain the required insurance coverage from an insurance carrier acceptable to Franchisor, or to maintain it throughout the term of this Agreement, Franchisor may, as its sole and absolute right and without any obligations to do so, procure such coverage for Developer. In such event, Developer shall pay the required premiums or reimburse Franchisor for such premiums and any related fees or costs upon written demand. The amount of such premiums and any related costs shall be set forth in a written invoice delivered to Developer by Franchisor. Developer shall reimburse Franchisor for the invoice amount within seven (7) days after the invoice has been delivered to Developer pursuant to Section 21.1 of this Agreement. Failure to maintain the required insurance or to promptly reimburse Franchisor for any premiums and any related fees or costs paid on behalf of Developer by Franchisor shall constitute a default hereunder. Should Franchisor elect to obtain such coverage for Developer, then Developer will assist Franchisor by providing the necessary information and access to enable Franchisor to obtain coverage for Developer.

7.4. Developer shall defend immediately upon tender of defense, at its own cost, the Franchisor, its subsidiaries, parent and affiliates, shareholders, directors, officers, employees and agents (collectively for this Section only known as "**Franchisor**"), from and against any and all claims, lawsuits, complaints, cross complaints, arbitrations, demands, allegations, costs embraced by indemnity, loss, costs, expenses, internal and external (including internal and external attorneys' fees), liens and damages (collectively for this Section only known as "**Losses**"), however caused, and reimburse Franchisor for all costs and expenses, internal and external (including internal and external attorneys' fees) incurred by the Franchisor in defense of any Losses, resulting directly or indirectly from or pertaining to or arising out of, or alleged to arise out of, or in connection with Developer's activities under the Development Agreement, including any labor, any employee related claims whatsoever, including, without limitation any claims made by an employee of Developer resulting from the employee's training in a Franchisor operated facility or restaurant, and including Developer's failure for any reason to fully inform any third party of Developer's lack of authority to bind the Franchisor for any purpose. Such Losses shall include, without limitation, those arising from the death of or injury to any person or arising from damage to the property of Developer or the Franchisor, or any third person, firm or corporation, whether or not resulting from any strict liability imposed by fact, law, statute, or ordinance, on the Franchisor. Developer further agrees that Developer's duty to defend the Franchisor is separate from, independent of and free-standing of Developer's duty to indemnify the Franchisor and applies whether the issue of Developer's negligence, breach of contract, or other fault or obligation has been determined. Developer's duty to defend is regardless of the outcome of liability even if Developer is ultimately found not negligent and not dependent on the ultimate resolution of issues arising out of any claims, lawsuits, complaints, cross complaints, arbitration, demands, allegations, costs embraced by indemnity, loss, costs, expenses, internal and external (including internal and external attorneys' fees), liens or damages.

7.5. Developer shall indemnify and hold harmless the Franchisor (as defined above) from and against any and all Losses (as defined above), however caused, resulting directly or indirectly from or pertaining to or arising out of or in connection with Developer's activities under the Development Agreement, including any labor, any employee related claims whatsoever, including, without limitation any claims made by an employee of Developer resulting from the employee's training in a Franchisor operated facility or restaurant, and including Developer's failure for any reason to fully inform any third party of Developer's lack of authority to bind the Franchisor for any purpose. Such Losses shall include, without limitation, those arising from latent or other defects in the restaurant whether or not discoverable by Franchisor, and those arising from the death of or injury to any person or arising from damage to the property of Developer or the Franchisor, or any third person, firm or corporation, whether or not resulting from any strict liability imposed by fact, law, statute, or ordinance, on the Franchisor. Developer further agrees to indemnify and hold harmless Franchisor from all said Losses and shall pay for and be responsible for all said Losses, however caused, whether by any individual, employee, third person or party, vendor, visitor, invitee, trespasser or any firm or corporation whatsoever, whether caused by or contributed to by Franchisor, the combined conduct of Developer and Franchisor, or active or passive negligence of Franchisor, but for the sole negligence or willful misconduct of Franchisor.

7.6. The provisions of this Section 7 shall expire as to each El Pollo Loco® Restaurant to be developed under this Agreement upon execution of a Franchise Agreement for such El Pollo Loco® Restaurant. The provision of the Franchise Agreement, in particular, Section 9 thereof (insurance and Indemnification) shall supersede this Section 7 and govern the rights and obligations of the parties prospectively.

8. Transfer of Rights.

8.1. This Agreement shall inure to the benefit of Franchisor and its successors and assigns, and it is fully assignable by El Pollo Loco.

8.2. The parties acknowledge and agree that this Agreement is personal in nature with respect to Developer, being entered into by Franchisor in reliance upon and in consideration of the personal skills, qualifications and trust and confidence reposed in Developer and Developer's present partners, managing members or officers if Developer is a partnership, a limited liability company or a corporation. Therefore, the rights, privileges and interests of Developer under this Agreement shall not be assigned, sold, transferred, leased, divided or encumbered, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise without the prior written consent of El Pollo Loco, which consent may be given or withheld as El Pollo Loco's sole and absolute right. For purposes of this Section, a sale of stock, or any membership or partnership interest in Developer, or a merger or other combination of Developer shall be considered a transfer of Developer's interest prohibited hereunder. Notwithstanding the foregoing, Developer shall be permitted to assign business organizations to serve as Franchisee after Developer individually executes the Franchise Agreements, provided the ownership mirrors that of

Developer (e.g., Developer consists of persons A (50%), B (25%) and C (25%). Franchisee also must be owned and controlled by the same three (3) persons with each retaining the same percentage of ownership). All other entity structures shall require the prior written approval of Franchisor. Developer shall pay an administrative fee of Five Hundred Dollars ($500) per transfer for each permitted transfer to an Entity where such transfer is for the convenience of ownership only and does not involve a change of principals of the business. Where Developer desires to add new principals to the Developer or any Franchisee entity, Developer shall pay to Franchisor an additional Two Thousand Five Hundred Dollars ($2,500) per new principal to cover Franchisor's administrative costs for reviewing the application and suitability of each new principal as participants in the franchise business.

9. Acknowledgment of Selected Terms and Provisions of the Franchise Agreement.

9.1. Developer represents that it has read each of the terms and provisions of the current form of Franchise Agreement and acknowledges and is willing to agree to each and every obligation of Franchisee thereunder (as they may be modified in then-current forms of Franchise Agreement) including, but not limited to:

a. The obligation to deliver executed Personal Guarantees or Investor Covenants Regarding Confidentiality and Non-Competition in connection with the execution of each franchise agreement for El Pollo Loco® Restaurants to be developed under this Agreement;

b. The obligation to obtain the consent of Franchisor to any security interests to be granted by Developer in the assets or business of the El Pollo Loco® Restaurant to lenders or other financing sources in advance of any agreement to provide those security interests to such third parties;

c. All in-term and post-term restrictive covenants; and

d. All territorial rights, options and rights of first refusal retained by Franchisor under the franchise agreement.

10. Termination by Developer; Expiration Date.

10.1. This Agreement shall terminate immediately upon El Pollo Loco's receipt of Developer's notice to terminate. In such event, the Development Fee shall be forfeited to Franchisor in consideration of the rights granted in the Territory up to the time of termination. Notwithstanding any provision to the contrary contained herein, unless earlier terminated by either party, this Agreement shall expire on _____, 20___, and all rights of Developer herein shall cease and all unapplied or unused Development Fees paid pursuant to Section 3 hereof shall be forfeited to Franchisor.

11. Events of Default.

11.1. The following events shall constitute a default by Developer, which shall result in El Pollo Loco's right to declare the immediate termination of this Agreement.

a. Failure by Developer to meet the requirements of the Development Schedule within the time periods specified therein, including failure by Developer to meet the Site Commitment Date or Opening Date for each site for an El Pollo Loco® Restaurant in a timely manner as set forth in **Exhibit B** and Section 2 above.

b. Any assignment, transfer or sublicense of this Agreement by Developer without the prior written consent of El Pollo Loco.

c. Any violation by Developer of any covenant, term, or condition of any note or other agreement (including any Franchise Agreement) between Developer and Franchisor (or an affiliate of El Pollo Loco), the effect of which is to allow Franchisor to terminate (or accelerate the maturity of) such agreement before its stated termination (or maturity) date.

d. Developer's assignment for the benefit of creditors or admission in writing of its inability to pay its debts generally as they become due.

e. Any order, judgment, or decree entered adjudicating Developer bankrupt or insolvent.

f. Any petition, or application, by Developer to any tribunal for the appointment of a trustee, receiver, or liquidator of Developer (or a substantial part of Developer's assets), or commencement by Developer of any proceedings relating to Developer under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereinafter in effect.

g. Any filing of a petition or application against Developer, or the commencement of such proceedings, in which Developer, in any way, indicates its approval thereof, consent thereto, or acquiescence therein; or the entry of any order, judgment, or decree appointing any trustee, receiver, or liquidator, or approving the petition in any such proceedings, where the order, judgment, or decree remains unstayed and in effect for more than thirty (30) days.

h. Any entry in any proceeding against the Developer of any order, judgment, or decree, which requires the dissolution of Developer, where such order, judgment, or decree remains unstayed and in effect for more than thirty (30) days.

i. Developer's voluntary abandonment of any of Developer's restaurants.

11.2. The following events shall constitute a default by Developer, which shall result in El Pollo Loco's right to declare the termination of this Agreement, if such default is not cured within thirty (30) days after written notice by Franchisor to Developer:

a. Developer's default in the performance or observance of any covenant, term, or condition contained in this Agreement not otherwise specified in Section 11.1 above.

b. The creation, incurrence, assumption, or sufferance to exist of any lien, encumbrance, or option whatsoever upon any of Developer's property or assets, whether now owned or hereafter acquired, the effect of which substantially impairs Developer's ability to perform or observe any covenant, term, or condition of this Agreement.

c. Refusal by Developer or Developer's partners, members, or shareholders to enter individually into the then-current form of Franchise Agreements and Personal Guarantee as provided in Section 1 above.

d. Any change, transfer or conveyance ("**Transfer**") in the ownership of Developer, which Transfer has not been approved in advance by Franchisor. Franchisor reserves the right to approve or disapprove any Transfer as its sole and absolute right.

11.3. If Franchisor is entitled to terminate this Agreement in accordance with Sections 11.1 or 11.2 above, Franchisor shall also have the right to undertake the following action instead of terminating this Agreement:

a. Franchisor may terminate or modify any rights that Developer may have with respect to protected exclusive rights in the Territory, as granted under Section 1.1 above, effective ten (10) days after delivery of written notice thereof to Developer.

11.4. If any of Developer's rights are terminated or modified in accordance with Section 11.3, such action shall be without prejudice to Franchisor's right to terminate this Agreement in accordance with Sections 11.1 or 11.2 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

12. Effect of Termination.

12.1. Immediately upon termination or expiration of this Agreement, for any reason, all of Developer's development rights granted pursuant to this Agreement shall revert to El Pollo Loco. At the time of termination, only restaurants operating or to be

operated under the El Pollo Loco® System by virtue of a fully executed Franchise Agreement shall be unaffected by the termination of this Agreement. Franchisor shall have no duty to execute any Franchise Agreement with Developer after the termination of this Agreement. The foregoing remedies are nonexclusive, and nothing stated in this Section 12 shall prevent El Pollo Loco's pursuit of any other remedies available to Franchisor in law or at equity due to the termination of this Agreement.

12.2. Developer understands and agrees that upon the expiration or termination of this Agreement (or in the event of an exclusive development agreement, the failure of Developer to meet the Development Schedule and the resulting loss of exclusive development rights), Franchisor or its subsidiaries or affiliates, as their sole and absolute right, may open and/or operate restaurants in the Territory, or may authorize or franchise others to do the same, whether it is in competition with or in any other way affects the sales of Developer at the Developer's El Pollo Loco® Restaurants. In addition, upon termination or expiration of this Agreement, or if Developer's rights herein are terminated or modified pursuant to Section 11.1 or Section 11.2, above, all unapplied or unused Development Fees paid pursuant to Section 3 hereof shall be forfeited to Franchisor and Developer shall have no claim or right to any such Development Fees.

13. Non-Waiver.

13.1. El Pollo Loco's consent to or approval of any act or conduct of Developer requiring such consent or approval shall not be deemed to waive or render unnecessary El Pollo Loco's consent to or approval of any subsequent act or conduct hereunder.

14. Independent Contractor and Indemnification.

14.1. This Agreement does not constitute Developer an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever, and it is understood between the parties hereto that Developer shall be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of El Pollo Loco. The parties agree that this Agreement does not create a fiduciary relationship between them.

14.2. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, or any other obligation of Developer arising out of or in any way related to this Agreement. Developer shall indemnify, defend and hold harmless Franchisor against any such claim and the cost of defending it arising directly or indirectly from or as a result of, or in connection with, Developer's actions pursuant to this Agreement.

15. Entire Agreement.

15.1. This Agreement, including **Exhibits A, B, C and D** attached hereto, constitutes the entire full and complete agreement between Franchisor and Developer concerning the subject matter hereof and supersedes any and all prior written agreements. No other representations have induced Developer to execute this

Agreement, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties, not embodied herein, which are of any force or effect with reference to this Agreement or otherwise. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Developer to waive reliance on any representation that Franchisor made in the most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Developer or its representative, subject to any agreed-upon changes to the contract terms and conditions described in that disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement). The provisions of this Agreement may not be contradicted by any other statement concerning the subject matter herein. No amendment or modification of this Agreement shall be binding on either party unless written and fully executed.

16. Dispute Resolution

16.1. Initial Meeting and Mediation - Except as otherwise provided in this Agreement, before any legal action is filed involving any claim or controversy between Franchisor and Developer (including its affiliates, investors, and Owners) relating to (a) this Agreement, (b) the parties business activities conducted as a result of this Agreement, or (c) the parties' relationship or business dealings with each other generally, the following procedure shall be complied with:

a. The party wishing to resolve a dispute shall initiate negotiation proceedings by first requesting in writing a meeting with the other party or parties. Within forty-five (45) days of receipt of the initial request for a meeting, the parties shall meet within the county in which Developer is then located, to discuss and negotiate toward a resolution of the controversy.

b. If negotiation efforts do not succeed, the parties shall engage in mandatory but non-binding mediation by a mediator jointly chosen by the parties or if the parties cannot agree upon a mediator, appointed by, and in accordance with the procedures of, JAMS or, if JAMS is no longer in existence, an organization of similar quality

c. A mediation meeting will be held at a place and at a time mutually agreeable to the parties and the mediator. The Mediator will determine and control the format and procedural aspects of the mediation meeting which will be designed to ensure that both the mediator and the parties have an opportunity to present and hear an oral presentation of each party's views regarding the matter in controversy. The parties act in good faith to resolve the controversy in mediation.

d. The mediation will be held as soon as practicable after the negotiation meeting is held. The mediator will be free to meet and communicate separately with each party either before, during or after the mediation meeting within 60 days of demand by either party.

16.2. At the election of the Franchisor, the provisions of this Section 16 shall not apply to controversies relating to any fee due the Franchisor by Developer or its affiliates, any promissory note payments due the Franchisor by Developer, or any trade payables due the Franchisor by Developer as a result of the purchase of equipment, goods or supplies. The provisions of this Section 16 shall also not apply to any controversies relating to the use and protection of the El Pollo Loco Marks, the Manual or the El Pollo Loco System, including without limitation, the Franchisor's right to apply to any court of competent jurisdiction for appropriate injunctive relief for the infringement of the El Pollo Loco Marks or the El Pollo Loco System.

16.3. In the event of the bringing of any action by either party against the other arising out of or in connection with this Agreement or the enforcement thereof, or by reason of the breach of any term, covenant or condition of this Agreement on the part of either party, the party in whose favor final judgment is entered shall be entitled to have and recover from the other party reasonable attorneys' fees (internal and external) plus costs and expenses (internal and external) reasonably incurred from commencing, and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements), the amount to be fixed by the court rendering such judgment.

17. Severability.

17.1. Each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision herein is determined to be invalid, contrary to, or in conflict with, any existing or future law or regulation, by any court or agency having valid jurisdiction, then such shall be deemed not to be a part of this Agreement, but such shall not impair the operation of, or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, which will continue to be given full force and effect and bind the parties hereto.

18. Applicable Law; Choice of Forum; Waiver of Jury Trial.

18.1. This Agreement, after review by Developer and El Pollo Loco, was accepted in the state in which Franchisor's then-current headquarters (currently the State of California) is located and shall be governed by and construed in accordance with the laws of such state, except that the provisions in Section 20.1 covering competition following the expiration, termination or assignment of this Agreement shall be governed by the laws of the state in which the breach occurs. **THE PARTIES AGREE THAT ANY ACTION BROUGHT BY EITHER PARTY AGAINST EACH OTHER IN ANY COURT, WHETHER FEDERAL OR STATE, WILL BE BROUGHT WITHIN THE STATE IN WHICH FRANCHISOR'S HEADQUARTERS (CURRENTLY THE STATE OF CALIFORNIA) IS THEN LOCATED. THE PARTIES HEREBY WAIVE ANY RIGHT TO DEMAND OR HAVE TRIAL BY JURY IN ANY ACTION RELATING TO THIS AGREEMENT IN WHICH THE FRANCHISOR IS A PARTY. THE PARTIES CONSENT TO THE EXERCISE OF PERSONAL JURISDICTION OVER THEM BY SUCH COURTS AND TO THE PROPRIETY OF VENUE OF SUCH COURTS FOR THE PURPOSE OF**

CARRYING OUT THE PROVISION, AND THEY WAIVE ANY OBJECTION THAT THEY WOULD OTHERWISE HAVE TO THE SAME. ANY ACTION BETWEEN DEVELOPER AND FRANCHISOR SHALL INVOLVE ONLY THE INDIVIDUAL CLAIMS OF DEVELOPER AND SHALL NOT INVOLVE ANY CLASS, GROUP, CONSOLIDATED, REPRESENTATIVE OR ASSOCIATIONAL ACTION. NOTHING IN THIS SECTION 18.1 IS INTENDED BY THE PARTIES TO SUBJECT THIS AGREEMENT TO ANY FRANCHISE OR SIMILAR LAW, RULE OR REGULATION TO WHICH THIS AGREEMENT WOULD NOT OTHERWISE BE SUBJECT.

19. Document Interpretation.

19.1. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include the singular or plural tense, and any gender, whether masculine, feminine or neuter, as the context or sense of this Agreement or any paragraph or clause may require, the same as if such words had been fully and properly written in the appropriate number or gender. In the event of a conflict in the language, terms, or conditions between this Agreement and any Franchise Agreement issued pursuant to this Agreement, the Franchise Agreement shall control.

20. Covenant Not to Compete.

20.1. To further protect the El Pollo Loco® System while this Agreement is in effect, Developer and each officer, director, shareholder, member, manager, partner and other equity owner, as applicable, of Developer, if Developer is an entity, shall neither directly nor indirectly own, operate, control or any financial interest in any other business which would constitute a "**Competitive Business**" (as hereinafter defined) without the prior written consent of Franchisor; provided further, that Franchisor may, as its sole and absolute right, consent to the Developer's continued operation of any business already in existence and operating at the time of execution of this Agreement. In addition, Developer covenants that, except as otherwise approved in writing by the Franchisor, Developer shall not, for a continuous, uninterrupted period commencing upon the expiration, termination or assignment of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for itself, or through or on behalf of, or in conjunction with any person, partnership, corporation or other entity, own, operate, control or have any financial interest in any Competitive Business which is located or has outlets or restaurant units within the Territory. The foregoing shall not apply to operation of an El Pollo Loco® restaurant by Developer pursuant to a Franchise Agreement with Franchisor or the ownership by Developer of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public exchange or on the over-the-counter market, provided that Developer does not control or become involved in the operations of any such company. For purposes of this Section 20.1, a Competitive Business shall mean a self-service restaurant or fast-food business which sells chicken and/or Mexican food products, which products individually or collectively represent more than twenty percent (20%) of the revenues from such self-

service restaurant or fast-food business operated at any one location during any calendar quarter. A "**Competitive Business**" shall not include a full-service restaurant.

20.2. In the event that any provision of Section 20.1 above shall be determined by a court of competent jurisdiction to be invalid or unenforceable, this Agreement shall not be void, but such provision shall be limited to the extent necessary to make it valid and enforceable.

20.3. Developer understands and acknowledges that Franchisor shall have the right to reduce the scope of any obligation imposed on Developer by Section 20.1, without Developer's consent, and that such modified provision shall be effective upon Developer's receipt of written notice thereof.

20.4. Developer acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Developer hereby consents to the entry of a preliminary and permanent injunction prohibiting any conduct by Developer in violation of the terms of those covenants not to compete set forth in this Agreement. Developer expressly agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through Developer's unlawful utilization of Franchisor's Confidential Information, know-how, methods and procedures.

21. Notices.

21.1. For the purpose of this Agreement, all notices shall be in writing and shall be sent to the party to be charged with receipt thereof either (i) served personally, or (i) sent by certified or registered United States mail, or (ii) sent by reputable overnight delivery service, or (iv) sent by facsimile. Notices served personally are effective immediately on delivery, and those served by mail shall be deemed given forty-eight (48) hours after deposit of such notice in a United States post office with postage prepaid and duly addressed to the party to whom such notice or communication is directed. Notices served by overnight delivery shall be deemed to have been given the day after deposit of such notice with such service. Notices served via facsimile shall be deemed to have been given the day of faxing such notice. All notices to El Pollo Loco® shall be addressed as follows:

El Pollo Loco, Inc.
Attn: Legal Department re. DA# 618_____
3535 Harbor Blvd, Suite 100
Costa Mesa, CA 92626
(714) 599-5503 (fax)

21.2. All notices to Developer shall be faxed and mailed or sent via overnight service to the Developer's number and address shown on **Exhibit B**. Either party may from time to time change its address for the purposes of this Section by giving written

notice of such change to the other party in the manner provided in this Section. Notwithstanding anything to the contrary contained herein, the Franchisor may deliver bulletins and updates to the Developer by electronic means, such as by the internet (e-mail) or an intranet, if any, established by Franchisor.

22. Section Headings.

22.1. The section headings appearing in this Agreement are for reference purposes only and shall not affect, in any way, the meaning or interpretation of this Agreement.

23. Acknowledgments.

23.1. Developer acknowledges that it has received a complete copy of the El Pollo Loco® Franchise Disclosure Document, issuance date March 29, 2022 (Control No. 032922) and the Supplemental Disclosure Document, issuance date June 30, 2022 (Control No. 063022) at least fourteen (14) calendar days prior to the date on which this Agreement was executed by Developer or payment of any monies to the Franchisor.

23.2. Developer acknowledges that it has read and understands this Agreement, the Franchise Agreement, the attachments thereto and the agreements relating thereto contained in the Franchise Disclosure Document received by Developer on _____,20__, and the Supplemental Disclosure Document on _____, 20___, and that Franchisor has accorded Developer ample opportunity and has encouraged Developer to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

24. Counterparts.

24.1. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument. A signature on this Agreement transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent) shall be considered an original for all purposes hereunder.

25. Compliance with Laws, Rules or Regulations.

25.1. Developer shall at all times develop El Pollo Loco restaurant(s) in the Territory in accordance with the lease or sublease, if any, for the El Pollo Loco restaurant(s) and in accordance with all applicable federal, state or local laws, rules, or regulations, including but not limited to, OSHA related safety training and compliance. Any citations or penalties issued shall be the sole responsibility of Developer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in duplicate original as of the dates set forth below.

FRANCHISOR:
El Pollo Loco, Inc., a Delaware Corporation

By:		By:	
Name:	Brian Carmichall	Name:	Laurance Roberts
Title:	Chief Development Officer	Title:	Chief Executive Officer
Date:		Date:	

DEVELOPER:
_____, a _____

By:		By:	
Name:		Name:	
Title:		Title:	
Date:		Date:	

EXHIBIT A TO EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT - TERRITORY

EXHIBIT B TO EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT - DEVELOPMENT SCHEDULE

DEVELOPER NAME:

NOTICE ADDRESS:

OFFICE PHONE:

OFFICE FAX:

PRINCIPAL1:

PRINCIPAL1 MOBILE & EMAIL:

PRINCIPAL2:

PRINCIPAL2 MOBILE & EMAIL:

COMMENCEMENT DATE:

EXPIRATION DATE:

TOTAL DEVELOPMENT FEE:

DEVELOPMENT SCHEDULE:

RESTAURANT NUMBER	INITIAL FRANCHISEE AMOUNT[1]	RESAC SUBMITTAL DATES	SITE COMMITMENT DATES (Date for delivery of signed leases or purchase agreements)	OPENING DATE OF RESTAURANT
Restaurant #1	$40,000.00			
Restaurant #2	$30,000.00			
Restaurant #3	$30,000.00			

[1] Initial Franchise Fee is the total amount applicable to this unit, without applying the Development Fee deposited with Franchisor at the time of execution of this Agreement.

EXHIBIT C TO EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT - EXISTING EL POLLO LOCO® RESTAURANTS IN THE TERRITORY

EXHIBIT D TO EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT - FIRST AMENDMENT TO EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT
(To be offered if you qualify for the Development Incentive Program and provided you have sign a Franchise Development Agreement for a New Market)

THIS FIRST AMENDMENT TO EL POLLO LOCO® FRANCHISE DEVELOPMENT AGREEMENT ("**Amendment**") is made and entered into this ___ day of _____, by and between **El Pollo Loco, Inc.,** a Delaware corporation ("**Franchisor**"), with its principal place of business at 3535 Harbor Blvd, Suite 100, Costa Mesa, California 92626 and _____, a _____, with its principal place of business at _____ ("**Developer**").

RECITALS:

A. Franchisor and Developer entered into a El Pollo Loco® Franchise Development Agreement #_____ dated _____ ("**Development Agreement**).

B. Developer has met the conditions to be eligible for the Development Incentive Program.

C. Franchisor and Developer wish to modify the terms of the Development Agreement as described in this Amendment.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein contained, the parties hereto agree as follows:

1. Recitals. Recitals listed above are incorporated herein and by this reference made a part of this Amendment.

2. Development Incentive Program.

a. Reduced Royalty. If the Opening Date of Restaurant that was developed under the Development Agreement, is on or before the Opening Date shown on the Development Schedule on Exhibit B of the Development Agreement ("**Restaurant Compliance Opening Date**"), Franchisor will reduce the monthly royalty fee rate according to the schedule below ("**Reduced Royalty**"). If Developer closes the Restaurant at the Location, the Reduced Royalty will end even if Developer as franchisee relocates the Restaurant to another location in accordance with Franchisor's site selection and approval procedures.

Reduced Royalty	Applicable Time Period (Measured from the Opening Date)
2%	Year 1
3%	Year 2

4%	Year 3
5%	Year 4 and subsequent years

b. Refund of Fifty percent (50%) of the Initial Fee. If the Opening Date of the Restaurant to be developed under the Development Agreement, is at least one hundred eighty (180) days before the Restaurant's Compliance Opening Date, Franchisor will refund fifty percent (50%) of the Initial Fee ("**Partial Initial Fee Refund**") no later than thirty (30) days after the Opening Date.

3. Entire Agreement. This Amendment and the Development Agreement embodies the entire understanding between Franchisor and Developer with respect to the modifications set forth above and can be changed only by a writing signed by Franchisor and Developer. Except as modified herein, all the terms and conditions of the Development Agreement shall be unaffected and remain in full force and effect. In the event of any inconsistency between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall control.

4. Miscellaneous. All capitalized terms not otherwise defined in this Amendment shall have the meanings given them in the Development Agreement. Titles and captions are for convenience only and shall not constitute a portion of this Amendment. The parties hereto acknowledge that they have read and fully understand the provisions of this Amendment and that said provisions constitute a complete and exclusive expression of its terms and conditions. The parties executing this Amendment on behalf of Franchisor and Developer are duly authorized to do so. This Amendment may be executed in one or more counterparts, each of which will constitute an original, but all of which together will constitute but a single document. A signature on this Amendment transmitted via facsimile or electronic mail/PDF or equivalent, electronic signature (such as DocuSign, or equivalent) shall be considered an original for all purposes hereunder

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this First Amendment to El Pollo Loco® Franchise Development Agreement in duplicate original as of the date(s) set forth below.

FRANCHISOR:	DEVELOPER:
El Pollo Loco, Inc.,	_____,
a Delaware corporation	a _____
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

EL POLLO LOCO HOLDINGS, INC.
EQUITY INCENTIVE PLAN
RESTRICTED SHARE AGREEMENT

NON-OFFICER DIRECTOR

This Restricted Share Award Agreement (this "**Restricted Share Agreement**"), dated as of May 9, 2023 (the "**Date of Grant**"), is made by and between El Pollo Loco Holdings, Inc., a Delaware corporation (the "**Company**") and **[ ]** (the "**Non-Officer Director**"). Capitalized terms not defined herein shall have the meaning ascribed to them in the El Pollo Loco Holdings, Inc. Equity Incentive Plan (formerly the El Pollo Loco Holdings, Inc. 2018 Omnibus Equity Incentive Plan) (as amended from time to time, the "**Plan**"). Where the context permits, references to the Company shall include any successor to the Company.

1. Grant of Restricted Shares. The Company hereby grants to the Non-Officer Director **[ ]** Shares (such shares, the "**Restricted Shares**"), subject to all of the terms and conditions of this Restricted Share Agreement and the Plan.

2. Lapse of Restrictions.

(a) General. Except as otherwise set forth in this Section 2, the restrictions on Transfer (as such term is defined in Section 6(a)) set forth in this Section 2 shall lapse with respect to all of the Restricted Shares on the first anniversary of the Date of Grant (the "**Vesting Date**"), subject to the continued service of the Non-Officer Director on the Board of Directors of the Company from the date hereof through the Vesting Date, and provided that the Non-Officer Director has not given notice of resignation as of the Vesting Date.

(b) Following Certain Terminations of Service. Subject to the next sentence, upon termination of the Non-Officer Director's service with the Company and its Affiliates for any reason, any Restricted Shares in respect of which the restrictions on Transfer described in this Section 2 shall not already have lapsed shall be canceled and immediately forfeited and neither the Non-Officer Director nor any of the Non-Officer Director's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such Restricted Shares. Notwithstanding the foregoing:

(i) in the event that the Non-Officer Director's service with the Company is terminated without Cause, then 100% of the Restricted Shares that are not vested as of the date of such termination shall immediately vest on the date of such termination of service, and the restrictions on Transfer of such Restricted Shares set out in this Section 2 shall lapse; provided that if such termination occurs prior to a Change in Control, then such vesting will be subject to the Non-Officer Director's execution of a separation agreement prepared by the Company (or any Subsidiary of Affiliate) which includes, *inter alia*, a general release of claims; and

(ii) in the event that the Non-Officer Director's service with the Company is terminated as a result of the death or Disability of the Non-Officer Director, then 100% of the Restricted Shares that are not vested as of the date of such termination shall immediately vest, and the restrictions on Transfer of such Restricted Shares set out in this Section 2 shall lapse.

(c) Stock Ownership Guidelines Compliance. Notwithstanding anything herein to the contrary, if as of the Vesting Date the Non-Officer Director is not in compliance with applicable stock ownership guideline requirements set forth the Company's Stock Ownership Guidelines, as may be in effect from time to time (the "**Ownership Guidelines**"), after giving effect to the timeframe in which to achieve compliance as set forth in the Ownership Guidelines, then the Non-Officer Director shall continue to retain beneficial ownership (as defined in Rule 16a-1(a)(2) under the Exchange Act) of the Restricted Shares following the Vesting Date (net of any shares surrendered for withholding tax requirements) until the Non-Officer Director is in compliance with the applicable requirements of the Ownership Guidelines.

(d) Restrictions. Until the restrictions on Transfer of the Restricted Shares lapse as provided in this Section 2, or as otherwise provided in the Plan, no Transfer of the Restricted Shares or any of the Non-Officer Director's rights with respect to the Restricted Shares, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted. Unless the Administrator determines otherwise, upon any attempt to Transfer Restricted Shares or any rights in respect of Restricted Shares, before the lapse of such restrictions, such Restricted Shares, and all of the rights related thereto, shall be immediately canceled and forfeited.

3. Adjustments. Pursuant to Section 5 of the Plan, in the event of a Change in Capitalization, the Administrator shall make such equitable changes or adjustments to the number and kind of securities or other property (including cash) issued or issuable in respect of outstanding Restricted Shares as it determines to be necessary in its sole discretion.

4. Certain Changes. The Administrator may accelerate the date on which the restrictions on transfer set forth in Section 2 shall lapse or otherwise adjust any of the terms of the Restricted Shares; provided that, subject to Section 5 of the Plan, no action under this Section shall adversely affect the Non-Officer Director's rights hereunder.

5. Notices. All notices and other communications under this Restricted Share Agreement shall be in writing and shall be given by facsimile or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three days after mailing or 24 hours after transmission by facsimile to the respective parties, as follows: (i) if to the Company, addressed to the Company in care of its Chief Legal Officer at the principal executive office of the Company and (ii) if to the Non-Officer Director, using the contact information on file with the Company. Either party hereto may change such party's address for notices by notice duly given pursuant hereto.

6. Protections Against Violations of Agreement.

(a) Until such time as the Restricted Shares are fully vested in accordance with Section 2 and any applicable stock ownership requirements set forth in Section 2(c) have been satisfied, no purported sale, assignment, mortgage, hypothecation, transfer, charge, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Restricted Shares or any agreement or commitment to do any of the foregoing (each a "**Transfer**") by any holder thereof in violation of the provisions of this Restricted Share Agreement will be valid, except with the prior written consent of the Administrator (such consent shall be granted or withheld in the sole discretion of the Administrator).

(b) In addition to Section 2, any purported Transfer of Restricted Shares or any economic benefit or interest therein in violation of this Restricted Share Agreement shall be null and void *ab initio* and shall not create any obligation or liability of the Company, and any person purportedly acquiring any Restricted Shares or any economic benefit or interest therein transferred in violation of this Restricted Share Agreement shall not be entitled to be recognized as a holder of such Shares.

7. Taxes.

(a) The Non-Officer Director understands that he or she (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Restricted Share Agreement. The Company shall not be required to withhold any amounts in respect of any such taxes.

(b) The Non-Officer Director shall promptly notify the Company of any election made pursuant to Section 83(b) of the Code. A form of such election is attached hereto as Exhibit A.

THE NON-OFFICER DIRECTOR ACKNOWLEDGES THAT IT IS THE NON-OFFICER DIRECTOR'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S RESPONSIBILITY TO FILE TIMELY THE ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF THE NON-OFFICER DIRECTOR REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO MAKE THIS FILING ON THE NON-OFFICER DIRECTOR'S BEHALF.

(c) The Non-Officer Director acknowledges that the tax laws and regulations applicable to the Restricted Shares and the disposition of the Restricted Shares following vesting are complex and subject to change, and it is the sole responsibility of the Non-Officer Director to obtain his or her own advice as to the tax treatment of the terms of this Restricted Share Agreement.

BY SIGNING THIS RESTRICTED SHARE AGREEMENT, THE NON-OFFICER DIRECTOR REPRESENTS THAT HE OR SHE HAS REVIEWED WITH HIS OR HER OWN TAX ADVISORS THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS

CONTEMPLATED BY THIS RESTRICTED SHARE AGREEMENT AND THAT HE OR SHE IS RELYING SOLELY ON SUCH ADVISORS AND NOT ON ANY STATEMENTS OR REPRESENTATIONS OF THE COMPANY OR ANY OF ITS AGENTS. THE NON-OFFICER DIRECTOR UNDERSTANDS AND AGREES THAT HE OR SHE (AND NOT THE COMPANY) SHALL BE RESPONSIBLE FOR ANY TAX LIABILITY THAT MAY ARISE AS A RESULT OF THE TRANSACTIONS CONTEMPLATED BY THIS RESTRICTED SHARE AGREEMENT.

8. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Restricted Share Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

9. Confidentiality.

(a) The Non-Officer Director acknowledges that during the period of the Non-Officer Director's service with the Company the Non-Officer Director shall have access to the Company's Confidential Information (as defined below). All books of account, records, systems, correspondence, documents, and any and all other data, in whatever form, concerning or containing any reference to the works and business of the Company or its affiliated companies shall belong to the Company and shall be given up to the Company whenever the Company requires the Non-Officer Director to do so. The Non-Officer Director agrees that the Non-Officer Director shall not at any time during the term of the Non-Officer Director's service or thereafter, without the Company's prior written consent, disclose to any person (individual or entity) any information or any trade secrets, plans or other information or data, in whatever form, (including, without limitation, (i) any financing strategies and practices, pricing information and methods, training and operational procedures, advertising, marketing, and sales information or methodologies or financial information and (ii) any Proprietary Information (as defined below)), concerning the Company's or any of its affiliated companies' or customers' practices, businesses, procedures, systems, plans or policies (collectively, "**Confidential Information**"), nor shall the Non-Officer Director utilize any such Confidential Information in any way or communicate with or contact any such customer other than in connection with the Non-Officer Director's service by the Company. The Non-Officer Director hereby confirms that all Confidential Information constitutes the Company's exclusive property, and that all of the restrictions on the Non-Officer Director's activities contained in this Restricted Share Agreement and such other nondisclosure policies of the Company are required for the Company's reasonable protection. Confidential Information shall not include any information that has otherwise been disclosed to the public not in violation of this Restricted Share Agreement. This confidentiality provision shall survive the termination of this Restricted Share Agreement and shall not be limited by any other confidentiality agreements entered into with the Company or any of its affiliates.

(b) With respect to any Confidential Information that constitutes a "trade secret" pursuant to applicable law, the restrictions described above shall remain in force for so long as the particular information remains a trade secret or for the two-year period immediately following termination of the Non-Officer Director's service for any reason, whichever is longer. With respect to any Confidential Information that does not constitute a

"trade secret" pursuant to applicable law, the restrictions described above shall remain in force during the Non-Officer Director's service and for the two-year period immediately following termination of Non-Officer Director's service for any reason.

(c) The Non-Officer Director agrees that the Non-Officer Director shall promptly disclose to the Company in writing all information and inventions generated, conceived or first reduced to practice by the Non-Officer Director alone or in conjunction with others, during or after working hours, while in the employ of the Company (all of which is collectively referred to in this Restricted Share Agreement as "**Proprietary Information**"); provided, however, that such Proprietary Information shall not include (i) any information that has otherwise been disclosed to the public not in violation of this Restricted Share Agreement and (ii) general business knowledge and work skills of the Non-Officer Director, even if developed or improved by the Non-Officer Director while in the employ of the Company. All such Proprietary Information shall be the exclusive property of the Company and is hereby assigned by the Non-Officer Director to the Company. The Non-Officer Director's obligation relative to the disclosure to the Company of such Proprietary Information anticipated in this Section shall continue beyond the Non-Officer Director's termination of service and the Non-Officer Director shall, at the Company's expense, give the Company all assistance it reasonably requires to perfect, protect and use its right to the Proprietary Information.

(d) Defend Trade Secrets Act. Pursuant to Section 1833(b) of the Defend Trade Secrets Act of 2016, the Non-Officer Director acknowledges that the Non-Officer Director shall not have criminal or civil liability under any federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Restricted Share Agreement is intended to conflict with Section 1833(b) of the Defend Trade Secrets Act of 2016 or create liability for disclosures of trade secrets that are expressly allowed by such Section. Notwithstanding anything set forth in this Restricted Share Agreement to the contrary, the Non-Officer Director shall not be prohibited from reporting possible violations of federal or state law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation, nor is the Non-Officer Director required to notify the Company regarding any such reporting, disclosure or cooperation with the government.

10. Governing Law. This Restricted Share Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein. Any suit, action or proceeding with respect to this Restricted Share Agreement, or any judgment entered by any court in respect of any thereof, shall be brought in any court of competent jurisdiction in the State of Delaware, and the Company and the Non-Officer Director hereby submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment. The Non-Officer Director and the Company hereby irrevocably waive (i) any objections which it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Restricted Share Agreement brought in any court of competent jurisdiction in the

State of Delaware, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in any inconvenient forum and (iii) any right to a jury trial.

11. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Shares and this Restricted Share Agreement shall be subject to all terms and conditions of the Plan and this Restricted Share Agreement.

12. Amendments; Construction. The Administrator may amend the terms of this Restricted Share Agreement prospectively or retroactively at any time, but no such amendment shall impair the rights of the Non-Officer Director hereunder without his or her consent. To the extent the terms of Section 9 conflict with any prior agreement between the parties related to such subject matter, the terms of Section 9 shall supersede such conflicting terms and control. Headings to Sections of this Restricted Share Agreement are intended for convenience of reference only, are not part of this Restricted Share Agreement and shall have no effect on the interpretation hereof.

13. Survival of Terms. This Restricted Share Agreement shall apply to and bind the Non-Officer Director and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

14. Rights as a Shareholder. During the period until the restrictions on Transfer of the Restricted Shares lapse as provided in Section 2, the Non-Officer Director shall have all the rights of a shareholder with respect to the Restricted Shares save only the right to Transfer the Restricted Shares. Accordingly, the Non-Officer Director shall have the right to vote the Restricted Shares and to receive any ordinary dividends paid to or made with respect to the Restricted Shares.

15. Agreement Not a Contract for Services. Neither the Plan, the granting of the Restricted Shares, this Restricted Share Agreement nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Non-Officer Director has a right to continue to provide services as an officer, director, employee, consultant or advisor of the Company or any Subsidiary or Affiliate for any period of time or at any specific rate of compensation.

16. Authority of the Administrator; Disputes. The Administrator shall have full authority to interpret and construe the terms of the Plan and this Restricted Share Agreement. The determination of the Administrator as to any such matter of interpretation or construction shall be final, binding and conclusive.

17. Severability. Should any provision of this Restricted Share Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Restricted Share Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this Restricted Share Agreement.

18. Acceptance. The Non-Officer Director hereby acknowledges receipt of a copy of the Plan and this Restricted Share Agreement. The Non-Officer Director has read and

understands the terms and provisions of the Plan and this Restricted Share Agreement, and The Non-Officer Director accepts the Restricted Shares subject to all the terms and conditions of the Plan and this Restricted Share Agreement. The Non-Officer Director hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under this Restricted Share Agreement.

[Signature Page Follows]

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

EL POLLO LOCO HOLDINGS, INC.

By_____
Name: Anne E. Jollay
Title: SVP, Chief Legal Officer

NON-OFFICER DIRECTOR

_____
Director Name

EXHIBIT A
ELECTION UNDER SECTION 83(b)

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's gross income for the current taxable year the amount of any compensation taxable to taxpayer in connection with taxpayer's receipt of the property described below:

1. The name address, taxpayer identification number and taxable year of the undersigned are as follows:

NAME OF TAXPAYER: _____

NAME OF SPOUSE: _____

ADDRESS: _____

IDENTIFICATION NO. OF TAXPAYER: _____

IDENTIFICATION NUMBER OF SPOUSE: _____

TAXABLE YEAR: _____

2. The property with respect to which the election is made is described as follows: _____ shares of Common Stock, par value $0.01 per share, of El Pollo Loco Holdings, Inc., a Delaware corporation (the "**Company**").

3. The date on which the property was transferred is: _____, 20__.

4. The property is subject to the following restrictions: The property may not be transferred and is subject to forfeiture under the terms of an agreement between the taxpayer and the Company. These restrictions lapse upon the satisfaction of certain conditions in such agreement.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: $ _____.

6. The amount (if any) paid for such property is: $ _____.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____, 20__

_____
Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____, 20__

_____
Spouse of Taxpayer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-269807) and Form S-8 (No. 333-259661, No. 333-226621, No. 333-224730 and No. 333-197698) of El Pollo Loco Holdings, Inc. (the "Company") of our reports dated March 8, 2024, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.
Costa Mesa, California
March 8, 2024

Exhibit 31.1

CERTIFICATIONS

I, Maria Hollandsworth, certify that:

1. I have reviewed this annual report on Form 10-K of El Pollo Loco Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2024

/s/ Maria Hollandsworth
Maria Hollandsworth
Interim Chief Executive Officer, President and Chief Operating Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Ira Fils, certify that:

1. I have reviewed this annual report on Form 10-K of El Pollo Loco Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2024

/s/ Ira Fils
Ira Fils
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION

Under 18 U.S.C. section 1350, adopted by section 906 of the Sarbanes-Oxley Act of 2002, in connection with the accompanying Annual Report on Form 10-K (the "Report"), the undersigned officers of El Pollo Loco Holdings, Inc. (the "Company") each certify that (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2024

/s/ Maria Hollandsworth
Maria Hollandsworth
Interim Chief Executive Officer, President and Chief Operating Officer

/s/ Ira Fils
Ira Fils
Chief Financial Officer

El Pollo Loco Holdings, Inc. Clawback Policy

As Amended and Restated by the Board of Directors Effective as of October 31, 2023.

Mandatory Clawback Policy

In the event El Pollo Loco Holdings, Inc. (the "Company") is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period), the Company shall recover reasonably promptly the amount of any erroneously awarded Incentive-Based Compensation from each Covered Individual unless an exception (set forth below) applies.

Incentive-Based Compensation shall be considered "erroneously awarded" under this policy to the extent such Incentive-Based Compensation (1) is received by the Covered Individual on or after the effective date of Rule 5608 of The Nasdaq Stock Market LLC ("Nasdaq") Rules and while the Company has a class of securities listed on a national securities exchange or a national securities association, (2) is received by the Covered Individual during the three completed fiscal years immediately preceding the date that the Company is required to prepare the accounting restatement (and any transition period applicable to a change in the Company's fiscal year as required by Nasdaq listing rules), and (3) the amount of such received Incentive-Based Compensation exceeds the amount of the Incentive-Based Compensation that would have been received by the Covered Individual had it been determined based on the restated financial results (with such Incentive-Based Compensation computed in each case without regard to any taxes paid). For purposes of this policy, the date that the Company is required to prepare the accounting restatement is the earlier to occur of (A) the date the Company's Board of Directors (the "Board"), or a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such accounting restatement, or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare such accounting restatement.

For purposes of this policy, Incentive-Based Compensation is considered "received" by a Covered Individual in the Company's fiscal period during which the Financial Reporting Measure applicable to the Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that fiscal period. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount of erroneously awarded compensation will be determined by the Board based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation

was received. The Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq as required by Nasdaq listing rules. If the erroneously awarded Incentive-Based Compensation consists of shares (including share-denominated equity awards) or options that are still held by the Covered Individual at the time of recovery, the recoverable amount is the number of shares or options received in excess of the number of shares or options that would have been received based on the accounting restatement (or the value of that excess number). If the options have been exercised but the underlying shares have not been sold, the recoverable amount is the number of shares underlying the excess options based on the restatement (or the value thereof). If the shares have been sold, the recoverable amount is the proceeds that were received in connection with the sale of the excess number of shares. Amounts credited under plans (other than tax-qualified plans for which the exception set forth below applies) based on erroneously awarded Incentive-Based Compensation and any accrued earnings thereon are also recoverable under this policy.

The Company shall not be required under this policy to recover erroneously awarded Incentive-Based Compensation if the Committee has made a determination that recovery would be impracticable and either of the following conditions are met: (1) after making a reasonable attempt to recover such erroneously awarded Incentive-Based Compensation, the Committee determines that the direct expense paid to a third party to assist in enforcing this policy would exceed the amount to be recovered (documentation evidencing the reasonable attempt to recover the erroneously awarded Incentive-Based Compensation must be maintained and provided to Nasdaq as required by Nasdaq listing rules), or (2) the recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Internal Revenue Code Section 401(a)(13) or Internal Revenue Code Section 411(a) and the regulations thereunder.

For purposes of this policy, the following definitions will apply:

- "Covered Individual" means any current or former officer of the Company who is or was subject to Section 16 of the Securities Exchange Act of 1934, as amended, at any time during the applicable performance period for the relevant Incentive-Based Compensation, regardless of whether such individual continues to hold such position or continues to be employed by the Company or any of its subsidiaries.

- "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

- "Financial Reporting Measures" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures (including, for purposes of this policy, stock price and total shareholder return). A Financial Reporting Measure need not be

presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.

Discretionary Clawback Policy

If the Board (or a duly established committee thereof), in its sole discretion, determinates that a Covered Individual engages in the commission of an act of fraud or material misconduct during the course of his or her employment with the Company that causes financial or reputational harm to the Company ("Detrimental Conduct"), the Board may, to the extent permitted by law and to the extent it determines that it is in the Company's best interests to do so, in addition to all other remedies available to the Company, require reimbursement or payment by the Covered Individual to the Company of the amount of any erroneously awarded Incentive-Based Compensation from each Covered Individual (and treating the date the Board determines that Detrimental Conduct exists as the date the Company is required to prepare the accounting restatement for these purposes).

General

The mandatory clawback provisions in this policy are intended to comply with the requirements of Rule 10D-1 promulgated by the Securities and Exchange Commission and the related listing rules of Nasdaq, and the terms hereof shall be construed consistent with that intent. The discretionary clawback provisions in this policy are not intended to comply with the requirements of Rule 10D-1 promulgated by the Securities and Exchange Commission and the related listing rules of Nasdaq.

This policy does not limit any other remedies the Company may have available to it in the circumstances, which may include, without limitation, dismissing an employee or initiating other disciplinary procedures. The provisions of this policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 (applicable to the Chief Executive Officer and Chief Financial Officer only) and other applicable laws. The Company shall not indemnify any Covered Individual against the loss of erroneously-awarded Incentive-Based Compensation that is recovered by the Company pursuant to the mandatory clawback provisions of this policy. The Board shall have the sole authority to construe and interpret this policy and to make all determinations required to be made pursuant to this policy. Any such construction, interpretation or determination by the Board shall be final and binding.

The Board may revise this policy from time to time.